UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/50/340
11 September 1995

ORIGINAL: ENGLISH

Fiftieth session
Item 99 (b) of the provisional agenda*

OPERATIONAL ACTIVITIES FOR DEVELOPMENT: ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

State of South-South cooperation

Report of the Secretary-General

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ABBREVIATIONS

ACC	Arab Cooperation Council
ACS	Association of Caribbean States
ACU	Asian Clearing Union
AEC	African Economic Community
AFTA	ASEAN Free Trade Area
ASEAN	Association of South-East Asian Nations
ATFP	Arab Trade Financing Programme
BLADEX	Latin American Export Bank
BPAs	bilateral payment arrangements
CACH	Central American Clearing House
CACM	Central American Common Market
CAF	Andean Development Corporation
CARICOM	Caribbean Community
CBI	Cross-border initiative for eastern and southern African and Indian Ocean countries
CEAO	West African Economic Community
CEMAC	Central African Economic and Monetary Community
CEPGL	Economic Community of the Great Lakes Countries
CEPT	common effective preferential tariff
CFA Franc	Communauté financère africaine franc
CHCAS	Clearing House of the Economic Community of Central African States
CMCF	Caribbean Multilateral Clearing Facility
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EAI	Enterprise for the Americas Initiative
ECCAS	Economic Community of Central African States
ECDC/TCDC	economic cooperation among developing countries/technical cooperation among developing countries
ECO	Economic Cooperation Organization
ECO/PTT	ECO Protocol on Preferential Trade
ECOWAS	Economic Community of West African States
FDI	foreign direct investment
FFA	Forum Fisheries Agency
GCC	Cooperation Council for the Arab States of the Gulf
GSTP	Global System of Trade Preferences among Developing Countries
IOC	Indian Ocean Commission
IAIGC	Inter-Arab Investment Guarantee Corporation
LAIA	Latin American Integration Association
LARF	Latin American Reserve Fund
LAS	League of Arab States
MERCOSUR	Southern Common Market
MRU	Mano River Union
MSG	Melanesian Spearhead Group
NAFTA	North American Free Trade Area
NAM	Non-Aligned Movement
OAU	Organization of African Unity
OECS	Organization of Eastern Caribbean States
OIC	Organization of the Islamic Conference

PIDP	Pacific Islands Development Programme
PTA	Preferential Trade Area for Eastern and Southern Africa States (now COMESA)
PTACH	PTA Clearing House
R&D	research and development
SDR	special drawing rights
SMEs	small and medium-size enterprises
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference (now SADC)
SAFICO	Andean Trade Financing System
SAPTA	SAARC Preferential Trading Arrangement
SELA	Latin American Economic System
SICA	Central American Integration System
SOPAC	South Pacific Applied Geoscience Commission
SPC	South Pacific Commission
SPF	South Pacific Forum
SPREP	South Pacific Regional Environment Programme
TCSP	Tourism Council of the South Pacific
UDEAC	Central African Customs and Economic Union (now CEMAC)
UEMOA	West African Economic and Monetary Union
UMA	Arab Maghreb Union
USP	University of the South Pacific
WACH	West African Clearing House
WTO	World Trade Organization

I. INTRODUCTION AND SUMMARY

A. Purpose and scope of the report

1. In its resolution 46/155 of 19 December 1991 the General Assembly requested the Secretary-General to monitor follow-up to the Report of the South Commission which was released in August 1990 under the title The Challenge to the South. Accordingly, the Secretary-General presented a report to the General Assembly at its forty-eighth session. 1/ After reviewing this report the General Assembly, in resolution 48/164 of 21 December 1993, requested "the Secretary-General to present a comprehensive report entitled 'State of South-South cooperation', containing quantitative data and indicators on all aspects of South-South cooperation", to the fiftieth session of the Assembly, at which time it will decide on the need for further reports on the matter. At its forty-ninth session the Assembly, in resolution 49/96 of 19 December 1994, decided that the Secretary-General's report should also contain an overview and analysis of South-South cooperation world wide as well as recommendations to strengthen such cooperation.

2. The present report has been prepared in accordance with the above-mentioned resolutions of the General Assembly. It assesses in chapters II, III, and IV respectively the state of institutional arrangements (at the subregional, regional and global levels), the state of cooperation in trade and monetary and financial cooperation, and the state of other priority functional areas. The focus in chapter III on trade and monetary and financial cooperation should not be taken to imply that South-South cooperation is limited to these fields. On the contrary, South-South cooperation is quite intense in non-economic sectors as can be gleaned from chapter IV and the addendum to this report which discusses the policy commitment to and activities on South-South cooperation by the United Nations organizations and agencies which have provided the necessary information. Measuring progress in terms of "quantitative data" and against "indicators" calls for caution, however. South-South cooperation is an evolutionary approach and modality relevant to all sectors of development which can realize its full potential if it is integrated with development efforts, nationally and internationally. Some sectors are susceptible to quantification, others are not. Thus, wherever relevant and available, quantitative data and indicators are provided in the report. For an extensive coverage in terms of both South-South cooperation institutions and statistics, see State of South-South Cooperation: Statistical Pocket Book and Index of Cooperation Organizations, which will be issued shortly as a United Nations publication (Sales No. E.95.II.D.18). This publication should be referred to, as appropriate.

3. Recommendations on expanding South-South cooperation and proposed practical modalities are delineated in the report of the intergovernmental group of experts held from 31 July to 4 August 1995 in accordance with General Assembly resolution 49/96. The report of the intergovernmental group of experts is available in document A/AC.246/3.

B. Background to South-South cooperation

4. South-South cooperation refers to bilateral and multilateral relations involving Governments, institutions, corporations, individuals and non-governmental organizations of two or more developing countries in the same region or in more than one region. The scope of cooperation extends, in principle, to all aspects of development activity. 2/ The Afro-Asian Conference in Bandung (Indonesia) in 1955 introduced onto the world scene the concept of closer cooperation and linkages among developing countries (the South). 3/ Since then the process of South-South cooperation has been a strong recurring theme throughout the South and has matured into an integral aspect of the historical process of international cooperation for development. Consonant with this theme the developing countries have set in place an impressive array of institutional structures for promoting South-South cooperation. This has resulted in a situation whereby almost all developing countries belong to one or another cooperation institution, and most of them are even members of two or more organizations. 4/ It is a significant indicator of the commitment of these countries to the spirit and objectives of economic and technical cooperation among developing countries (ECDC/TCDC).

5. South-South cooperation has tended to be most dynamic during periods of growth and optimism in developing countries. Most of the South-South cooperation institutions were created in the 1960s and 1970s against the backdrop of general enthusiasm for the concept of South-South cooperation and optimism about the development prospects of the South. During the "lost decade" of the 1980s, South-South cooperation suffered reversals and setbacks attendant on the development crisis in most developing countries. Around the middle of the 1980s, as developing countries started to adjust and change their policies to manage the macroeconomic imbalances in their economies and revitalize growth, an adaptation process at the level of South-South cooperation was also launched. The revival gained added impetus at the start of the 1990s attendant on major changes in the global scene.

6. Subregional and regional cooperation and integration are emerging as the central pillar of the present revival in South-South cooperation. New integration organizations are being created where none existed before while existing ones are being deepened, strengthened and extended not only geographically but also in substance. The trend is not limited to official initiatives at Government-to-Government level but has carried into the forging of a variety of business/enterprise links. Much of this recent momentum is motivated by the fact that the vast majority of developing countries have small economies, and even the biggest among them are relatively small by world standards. Such economies can be internationally competitive if they specialize in certain sectors and if they can participate in intra-industry trade flows which are usually dominated by transnational firms. The first condition would obtain only for few countries at a time and the second is not usually the case for developing country firms. Hence, this option is not realistic for the trading strategies of the overwhelming majority of developing countries. To attain viable competitivity in the oligopolistic markets of international trade, developing countries have to accrue scale economies, acquire and adapt appropriate technologies, attract necessary foreign investment in non-debt-

creating forms, pool human and physical resources whenever possible, and harmonize economic policies, regulations and standards. 5/

7. As a mobilizing factor in these areas, ECDC provides a natural bridge to effective participation in the global economy, and for small developing countries it might furnish the only means to do so. In addition, existing models of economic integration are being readjusted to respond to the changing internal and external situations whereby joint cooperation and integration has to be seen not merely as a development option but as a real necessity for economic, political, social and cultural development and for long-term peace, security and solidarity. It should be added that the growth of plurilateral free trade areas, prominent in Latin America, has raised questions about their compatibility with the multilateral trade liberalization process under the aegis of the World Trade Organization (WTO). The issue has been analysed in detail in various studies which generally indicate that as long as multilateral approaches are actively pursued and effectively applied and the momentum towards multilateral trade liberalization maintained, regional integration may well serve as a secondary, but at the same time a complementary element and "building block" to the international trading system. 6/

II. INSTITUTIONAL STATE OF SOUTH-SOUTH COOPERATION AT THE SUBREGIONAL, REGIONAL AND GLOBAL LEVELS

A. Africa

8. In Africa new treaties have been adopted and existing treaties and cooperation programmes revised to form new institutions and/or incorporate new concepts designed primarily to strengthen cooperation and integration institutions and enhance their effectiveness. The signing in June 1991 of the Abuja Treaty establishing the African Economic Community (AEC) and its entry into force in May 1994 deserve special mentioning. The launching of AEC embodies a drive towards continental integration in Africa (see box 1). At the subregional level mention can be made of the creation of the West African Economic and Monetary Union (UEMOA) in January 1994 followed by the dissolution of the West African Economic Community (CEAO) in March 1994 as the two were seen to be overlapping; the creation of the East African Community (EAC) in November 1993 within the framework of PTA/COMESA; the adoption in July 1993 of a revised Treaty to the 1975 Treaty creating the Economic Community of West African States (ECOWAS); the signing in March 1994 of a treaty creating the Central African Economic and Monetary Community (CEMAC), which is to replace the oldest subregional integration grouping in Africa, namely the Central African Customs and Economic Union (UDEAC) founded in December 1964; the transformation by a treaty and declaration of the Southern African Development Coordination Conference (SADCC) into the Southern African Development Community (SADC) in August 1992; the transformation of the largest subregional institution (in terms of membership of 22 countries), namely the Preferential Trade Area for Eastern and Southern Africa (PTA) into the Common Market for Eastern and Southern Africa (COMESA) following the signing of its enabling treaty in November 1993 and entry into force in December 1994.

9. In most cases, some of the politically sensitive and difficult issues impeding cooperation in the past have been addressed. The new and revised treaties, for example, endow the new cooperation/integration institutions with the necessary legal capacity to take decisions which are legally binding on or have direct applicability in member States and to enforce, if necessary, the application of decisions; 7/ the necessary financial resources by equipping the institutions with the facility to secure autonomous sources of revenue independent of budgetary appropriations from member States; and by restructuring the policy organs and executive secretariats of integration organizations. In the Arab Maghreb Union (UMA), for example, a comprehensive set of institutional regulatory and policy decisions have been made which constitute the basic framework for the progressive opening up of the national economies and the integration of production structures through concerted action at sectoral level. The revised ECOWAS Treaty confers upon the ECOWAS Authority full power to take decisions which would be binding on Community institutions as well as member States; makes provisions for the establishment of an ECOWAS parliament, an economic and social council, eight specialized technical commissions to replace the six existing ones; provides for political cooperation and regional security, for the enactment of a Community levy to generate financial resources for the Community (the levy will be a percentage of the total value of import duty derivable from goods imported from third countries); and maintains that ECOWAS shall be the sole economic community in West Africa. The COMESA Treaty, inter alia, embraces the concept of multi-speed development pegging implementation of programmes on the fastest moving members and provides for both enforceability of common decisions and sanctions against a member that deliberately and persistently does not comply with or implement agreed decisions. 8/

10. At the continental level the Abuja Treaty espouses a plan necessitating a major rationalization of the integration institutions in Africa under the umbrella of AEC (see box 1), and endows AEC with the capacity to take decisions which are legally binding on or have direct applicability in member States (art. 10), the leeway to supplement or, where necessary, replace the annual regular budget of the Community by the proper resources of the Community (art. 82), and provides for the creation of a Pan-African parliament envisaged as part of measures to increase participation of peoples in the integration process (art. 14).

11. New modalities and instruments are being adopted which require, inter alia, the formation of full-fledged development communities for the formation of a viable economic space (for example, AEC envisages the formation of a continental customs union, UEMOA, an economic and monetary union and COMESA, a common market); increasing popular participation (SADC, for instance, emphasizes the involvement of the people and the real commitment by Governments in the community-building process, and a number of organizations have proposed the formation of subregional parliaments); promoting the political dimension of cooperation which provides for the promotion of good neighbourliness, regional peace and stability, good governance and respect for human rights for dealing with the unfortunate occurrence of serious political upheavals and inter-State conflicts which have vitiated the best of development efforts including intraregional cooperation (all subregional organizations are addressing this problem following the example of ECOWAS which is unique among ECDC organization

Box 1. Programme for the creation of the African Economic Community

The Abuja Treaty (art. 6) states that upon its Treaty's definitive entry into force, the following plan will be set into motion for the gradual establishment of the African Economic Community (AEC) in six stages of variable duration spread over a transitional period not exceeding 34 years:

First stage, not exceeding five years: strengthening of existing regional economic communities, and establishing new ones in regions where they do not exist;

Second stage, not exceeding eight years: (a) at the level of each regional community, stabilizing existing tariff and non-tariff barriers, customs duties and internal taxes; preparing and adopting studies to determine the timetable for the removal of tariff and non-tariff barriers to regional and intra-Community trade and for the harmonization of customs duties; (b) strengthening of sectoral integration at the regional and continental levels in all areas of activity, particularly trade, agriculture, money and finance, transport and communications, industry and energy; and (c) coordination and harmonization of activities among the existing and future economic communities;

Third stage, not exceeding ten years: at the level of each regional community, establishment of a free trade area through the observance of the timetable for the gradual removal of tariff and non-tariff barriers to intra-Community trade, and the establishment of a Customs Union by means of adopting a common external tariff;

Fourth stage, not exceeding two years: coordination and harmonization of tariff and non-tariff systems among the various regional economic communities with a view to establishing a Customs Union at the continental level by means of adopting a common external tariff;

Fifth stage, not exceeding four years: establishment of an African Common Market through: (a) the adoption of common policy in several areas (agriculture, transport and communications, industry, energy, scientific research); (b) the harmonization of monetary, financial and fiscal policies; (c) the application of the principle of free movement of persons as well as rights of residence and establishment; and (d) constituting the proper resources of the AEC; and

Sixth stage, not exceeding five years: (a) consolidation and strengthening of the structure of the African Common Market through the free movement of people (as well as rights of residence and establishment), goods, capital and services; (b) integration of economic, political, social and cultural sectors, and establishment of a single domestic market as well as a Pan-African Economic and Monetary Union; and (c) implementation of the final stage: (i) for the setting up of an African Monetary Union, a single African Central Bank and a single African Currency; (ii) for the setting up of the structure of the Pan-African Parliament and election of its members by continental universal suffrage; (iii) for the harmonization and coordination process of the activities of regional economic communities; (iv) for the setting up of the structures of Africa multinational enterprises in all sectors; and (v) for the setting up of the structures of the executive organs of the African Economic Community.

in establishing a regional peace-keeping force, the ECOWAS Monitoring Group, to handle the Liberian crisis); and increasing the participation of enterprises and cooperation among them and their associations (for example, COMESA accords the lead role for the development of investment and production to the business community).

12. The ECDC institutions also continue to undertake activities for improving the integration of production systems by developing and widening the range of tradeable (and consumable) products, and the integration of infrastructural bases to improve subregional and continental roads, railways, airlines and communications facilities linking countries. Some steps, though limited, have been taken in western, eastern and southern Africa to rationalize the multiplicity of ECDC institutions with overlapping membership and similar ultimate objectives and so decrease the duplication, rivalry and conflicts that exist among them. Another problem which continues to affect the operations of a number of institutions is regional political instability. The Mano River Union (MRU) in West Africa and the Economic Community of the Great Lakes Countries (CEPGL) in central and eastern Africa have been paralysed by the regional instability arising from continuing civil strife and political instability. The implementation of preferential trade liberalization programmes of most integration institutions also suffers from a lack of full and effective implementation by members as typified by UMA which designed its programme in 1990/91 but has not yet implemented it.

13. Finally, mention could be made of the cross-border initiative (CBI) for eastern and southern Africa and Indian Ocean countries. CBI was launched in 1992 under the co-sponsorship of the African Development Bank, the Commission of the European Communities, the International Monetary Fund and the World Bank, in collaboration with the secretariats of the Indian Ocean Commission (IOC), COMESA and SADC. It comprises an innovative approach to promoting regional integration encompassing the following features: (a) adoption and implementation of a common programme of action with specific measures to be implemented and which are aimed at liberalizing and facilitating trade, facilitating cross-border investment and payments, and improving national institutions that support CBI; (b) the corresponding implementing agencies for these measures are identified and these involve the national Governments, regional organizations (IOC, COMESA, SADC) and the private sector; (c) the measures are to be implemented within a given time-frame consisting of a short term of 12 months or a medium term of up to three years; (d) coupling of the implementation of the common programme and specific measures with financial support from the donor agencies; and (e) regular monitoring of progress attained at the national, subregional and international levels (involving all relevant actors). At the second ministerial meeting of CBI in March 1994, participating countries reaffirmed their commitment to the initiative and reported substantial progress with trade reform, particularly the elimination of trade licensing and other non-tariff barriers, liberalization of payments on the current account and in designing more liberal and transparent investment regimes.

B. Asia and the Pacific

14. The Asian and Pacific region encompasses Western Asia, South and East Asia and Oceania, each having its own distinctive experience. In Western Asia, the adjustment of oil prices in the 1970s and the subsequent accumulation of substantial financial resources have helped alter cooperation possibilities in several significant ways. Increased attention began to be directed to promoting cooperation in production, the establishment of necessary key institutions and the enactment of supporting legislation. This led to the formation of the Cooperation Council for the Arab States of the Gulf (GCC) in 1981 and the Arab Cooperation Council (ACC) in February 1989. GCC represented a new and unique experiment in Arab economic relations, being the first major cooperative arrangement conceived outside the framework of the League of Arab States. The formation of GCC appears to have been primarily in response to preoccupations specific to the GCC countries including political, defence and economic considerations. ACC aimed at promoting coordination, cooperation, integration and solidarity among its members by way of promoting the development of a common market, among other approaches. However, its activities were frozen as a result of the Gulf crisis/war.

15. Other changes included: (a) the increased acceptance and involvement of the private sector as an important factor in the cooperative process. Arguments advocating a more active role for the private sector, reflecting changed economic realities and disillusionment with government efforts, steadily gained ground; (b) the emergence of a consensus that joint ventures represent a promising vehicle for promoting regional cooperation; (c) the large influx of capital from the surplus to the deficit member countries and of labour in the opposite direction (see box 2); and (d) the stepping up of institution building with the establishment of a number of key institutions such as the Arab Fund for Economic and Social Development, the Arab Monetary Fund and the Inter-Arab Investment Guarantee Corporation. The period also witnessed a very strong impact of political factors on cooperation efforts, positive in some instances but often negative such as the Gulf crisis and war.

Box 2. Labour flows in Western Asia

Its voluntary nature notwithstanding, the movement of labour between the countries of the region, and from other developing countries to countries in the region, has perhaps been the most enduring and rewarding feature in South-South cooperation involving the countries of Western Asia. This is because it is essentially based on and motivated by economic considerations and, hence, is mutually beneficial to the sending and receiving countries alike. Estimations provided by the Economic and Social Commission for Western Asia indicate that the total number of foreigners in the labour force of the six GCC countries increased from 1,125,000 in 1975 to 2,952,000 in 1980, 4,417,000 in 1985, and 5,218,000 in 1990; or from 46.5 per cent of the total labour force to 65.2 per cent, 70.2 per cent and 67.7 per cent, respectively. Virtually the entire expatriate labour force came from developing countries in the region (Egypt, Jordan, Yemen, Lebanon and the Syrian Arab Republic) and from developing countries in other regions (India, Pakistan, Bangladesh, Philippines, Sri Lanka). The importance of labour exchanges is further underlined by the large volume of workers' remittances generated. Available information shows that in the period 1989-1992, the combined recorded value of remittances accruing to Egypt, Jordan, the Syrian Arab Republic and the Republic of Yemen exceeded US$ 24 billion, largely derived from employment in the GCC countries. Similarly, it may be deduced that the balance of remittances, about US$ 29 billion, from Saudi Arabia, Kuwait and Oman has mostly benefited nationals of other developing countries.

16. In Central and South and East Asia, 9/ the needs of the countries since 1980 have become very diversified largely due to their varying growth performances. The growing momentum of economic activities in the region, in particular those relating to trade, investment and transfer of technology, and a growing sense of dynamism are creating vast new opportunities for intraregional cooperation. The institutional structures for cooperation are being strengthened accordingly. For example, the geographical scope of the Economic Cooperation Organization (ECO) has been enlarged with the accession in November 1992 of Afghanistan and the new Central Asian republics (formerly part of the former USSR) as full-fledged members; and the policy organs of the Association of South-East Asian Nations (ASEAN) were streamlined through the institutionalization of the Senior Economic Officials Meeting as the mechanism to oversee all aspects of economic cooperation and the secretariat was restructured. Also, Viet Nam has applied for a full membership in ASEAN, and Cambodia for observer status (both applications are expected to be endorsed).

17. Cooperation is also being revamped and in this drive trade expansion continues to be a main focus. Yet trade liberalization within existing integration organizations has been rather slow and modest up to now. Some examples could be cited. ECO is presently pursuing cooperation along various lines, but especially in trade, transport, agriculture and industry. In respect of trade liberalization the ECO Protocol on Preferential Trade (ECO/PPT) was signed in May 1991 by Pakistan, the Islamic Republic of Iran and Turkey to promote the development of trade among members on an overall reciprocal and mutually advantageous basis, while keeping in mind, the principle of item-by-

item approach. The Protocol has been ratified by all three countries and became operational. The most recent initiative of the South Asian Association for Regional Cooperation (SAARC) was the adoption in 1993 of an agreement to establish the SAARC Preferential Trading Arrangement (SAPTA). SAPTA, like ECO/PTT, provides for product-by-product coverage, with the reduction of tariffs in several successive rounds, and periodic reviews. SAPTA has not yet started its operations and if it follows the product-by-product approach, it is unlikely to make any significant difference to trade among SAARC countries which is fairly low. A bold across-the-board preferential trade arrangement, with special agreement on transit trade, would have had a much greater impact. ASEAN States adopted the ASEAN Free Trade Area (AFTA) scheme in January 1992 whose objective is to reduce tariffs, through the mechanism of the common effective preferential tariff (CEPT), on all intra-ASEAN trade in manufactured and processed agricultural goods to between 0 and 5 per cent in 15 years. Also conceived within AFTA is the harmonization of standards, reciprocal recognition of tests and certification of products, removal of barriers to foreign investment, consultations on macroeconomic policies, rules for fair competition and promotion of venture capital. The overall aim of AFTA is not only to create a larger consumer market for about 330 million people but also to promote export generally by increasing ASEAN's competitive edge as a production base geared towards the world markets.

18. The Bangkok Agreement was established as a preferential regional trading arrangement under the auspices of the Economic and Social Commission for Asia and the Pacific (ESCAP) and is consistent with the General Agreement on Tariffs and Trade (GATT). Under the Agreement, which has been operational since 1976, a total of 747 items are currently covered by tariff cuts ranging from 10 to 50 per cent. However, the total trade value of the conceded items among the members remains very low. The potential for trade expansion under the Agreement could be improved considerably through an increase in the number of participating countries as well as expansion of the product list. In this regard, Papua New Guinea has joined but is awaiting ratification by its national parliament; and following the announcement in 1994 by China of its intention to accede to the Agreement, the necessary procedures for effecting this are presently being implemented. Along with such efforts, ESCAP, in response to a request from the member States, is undertaking a review of the Agreement in its entirety, particularly in the context of the results of the Uruguay Round.

19. An innovative form of cooperation which seems to have been implemented most successfully in the Asian and Pacific region is the creation of "subregional growth zones", where surplus capital from relatively developed economies in the region complements surplus skilled labour in neighbouring economies to generate production of exportable products at competitive prices. It has various permutations: growth triangle, quadrangle and polygon depending on the number of participating countries. Although only two subregional growth zones have been implemented in the region, both have been successful, according to most indicators. These are the ASEAN southern growth triangle and the southern China growth triangle (see box 3). Their success has encouraged other similar initiatives, one in North-East Asia and three more in South-East Asia, namely the Tumen River Area Development Programme, the Mekong River subregional development project, the ASEAN northern growth triangle and the ASEAN eastern growth triangle. Whatever its manifestation, the subregional growth zones have

major unique characteristics that distinguish them from other, more formal organizations for economic cooperation. Moreover, most of the subregional growth zones have a good chance of being implemented since there is strong and clear commitment to the concept on the part of the Governments concerned. The proposed zones have also received strong support from funding agencies, in particular the United Nations Development Programme and the Asian Development Bank.

Box 3. Subregional growth zones in Asia

The southern China growth triangle involves Hong Kong, southern China and Taiwan Province of China. It is the earliest subregional growth zone implemented in the Asian and Pacific region and is also the largest. It began to take shape soon after the adoption of the "open door" policies in the coastal areas of China. However, there was no formal intergovernmental agreement on the establishment of the southern China growth triangle, which covers the provinces of Fijian, Guangdong and Taiwan Province of China together with the territory of Hong Kong. Hong Kong and Taiwan Province of China, by virtue of their status as newly industrializing economies, form the base of the southern China growth triangle, providing the major stimulus for the growth diffusion process within the triangle. The participating economies have a high degree of complementarity, with the Chinese coastal provinces having an abundance of land and labour while the two newly industrialized economies are well endowed with capital, technology, entrepreneurship and infrastructure. The growth triangle thus has the advantage of close interaction among some of the most dynamic and fast-growing economies of the region.

The ASEAN southern growth triangle involving Singapore, the State of Johor in Malaysia and Indonesia is much smaller and has a greater degree of government involvement. It was established in 1989 following an agreement between the Governments of Indonesia, Malaysia and Singapore. Although the triangle includes the whole of Singapore, only some parts of Indonesia (the island of Batam initially) and Malaysia (Johor) are involved in the arrangement. It covers an area of 20,000 square kilometres and has a population of 5 million. As a newly industrialized economy, Singapore forms the base of the triangle and acts as the main stimulus for growth diffusion to the hinterland of Johor and Batam. The scarcity of land and labour in Singapore provides the "borrowed space" rationale for the establishment of the ASEAN southern growth triangle. While the growth triangle has been created largely by market forces, it has required massive public investments in infrastructure in Batam which have been partly funded by Singapore. These developments have resulted in massive foreign development investment inflows from Singapore and other countries and have accelerated the industrial development of Johor and Batam, along with the development of tourism and other services. Taken as a whole, the ASEAN southern growth triangle produces a synergy which exceeds the potential of each participating economy individually and accelerates the overall development of the region within the triangle.

20. In Oceania, the island countries and interested development partners have established a number of regional organizations which allow opportunities for an exchange of views and the emergence of a "regional voice" on a wide range of issues of importance to the region. The South Pacific Commission (SPC) is by far the oldest of these organizations. 10/ Established by the Canberra Agreement of 6 February 1947, the primary purpose of the Commission is to support the social and economic development of its client island country members through the provision of technical assistance. Since the late 1960s and early 1970s, seven other Pacific island regional organizations have been established. Like the Commission, they operate in the technical assistance field but with narrower and more specific mandates. Over the years, the Commission has relinquished and/or farmed out some of its functions and activities to these latter-day specialist agencies. The Commission's current portfolio is mainly in human resource development, including health, community training, development planning, statistics, demography, rural development, youth, women, as well as in fisheries research, inshore fisheries development and tropical agriculture.

21. The South Pacific Forum (SPF), founded in 1971, is an annual meeting of heads of Government of independent and self-governing territories which gives its members the opportunity for informal discussions of regional political issues and ways of strengthening their economic development through joint cooperation. A number of other regional organizations have been established, and which report to SPF, to give emphasis to specific areas of economic development or to advance regional cooperation through other venues. These are: Forum Fisheries Agency (FFA), South Pacific Applied Geoscience Commission (SOPAC), University of the South Pacific (USP), Pacific Islands Development Programme (PIDP), South Pacific Regional Environment Programme (SPREP), Tourism Council of the South Pacific (TCSP) and the SPF secretariat.

22. In 1988 Papua New Guinea, the Solomon Islands and Vanuatu founded the Melanesian Spearhead Group (MSG) primarily to promote Melanesian cultures, values and exchange and peaceful resolution of disputes. It represents a new departure from traditional forms of cooperation among Pacific island countries in that the members intended to undertake "integration"-oriented activities. Thus, the MSG Trade Agreement was designed and launched on 1 September 1994. Under the Agreement, trade among the three countries is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea and beef from Vanuatu. 11/ Similar to the MSG initiative, a summit of the heads of State of Kiribati, the Marshall Islands, Nauru and Tuvalu (the smaller islands States members of SPF) in March 1995 entered into a subregional cooperation arrangement to promote joint development of areas of mutual interest including air transportation, shipping, trade, immigration (easing of visa requirements) and protection of their airspace.

23. Given the number of regional organizations, member countries have been concerned about the possibility of duplication and a need to ensure that both members' contributions and external donor funding are used effectively. This led to the South Pacific Organizations Coordination Committee, for which the SPF secretariat acts as the secretariat. The Committee comprises eight institutions, namely FFA, the SPF secretariat, PIDP, SOPAC, SPC, SPREP, USP and TCSP. It meets annually, on the basis of equality, with the chairmanship rotating among the participating organizations. For the organizations with

overlapping government membership, the Committee provides an opportunity to become aware of each others' work programmes and to consider ways and means by which the work programmes and decisions taken by the respective governing authorities can be implemented effectively and with minimum duplication. It also helps to avoid unproductive competition for scarce aid resources.

24. In conclusion, it could be noted that most of the ECDC arrangements in the Asian and Pacific region have evolved independently of each other, so inter-subregional cooperation has been limited. To improve such cooperation, the first consultative meeting of the executive heads of the subregional organizations was held at Bangkok in February 1994, at the initiative of ESCAP. That meeting suggested that such interaction should be institutionalized in the form of annual consultations. The second consultative meeting was hosted by the ASEAN secretariat in January 1995. As a result of these consultations the following four areas of cooperation have been proposed on a priority basis: trade and investment, transport and communications, human resources development and energy (as well as promoting awareness of poverty alleviation). A third meeting is tentatively scheduled for May 1996 in Tehran. Beyond this initiative, an important but rather rare example of inter-subregional cooperation is the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific. The Colombo Plan was launched in July 1951 as a cooperative venture for promoting economic and social development in South and South-East Asia which also involves the development of human resources. 12/

C. Latin America and the Caribbean

25. In Latin America and the Caribbean, the end of the 1980s and the start of the 1990s was marked by a substantial renewal of interest and expectations among countries for subregional and regional integration which, in turn, has sparked a strong movement to develop fresh approaches and modalities to update and adapt the cooperation and integration processes to the new development context. In particular, the concept of "open regionalism" underpins the large majority of recent integration efforts in the region. As described by the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) in his speech to the Rio Group Summit (October 1993), "open regionalism refers to the increasing economic interdependence, driven by investments and market forces in a context of openness, deregulation and globalization, as well as by the preference accords". This means a major change to the present situation of the region as it implies increased possibilities for foreign direct investment, and a higher level of intra-industry trade among countries. As the complementarity of the regional production increases, production and trade specialization take place. All these processes become compatible and mutually enhancing as well as being consistent with the globalization and liberalization of the world economy. 13/

26. In addition to the changing approach, measures have been launched to address issues obstructing cooperation and integration in the past. Attention is placed on overcoming the traditional dissociation between government policy approaches and specific multilateral actions to give impetus to operational activities which have often been lagging behind basic political support for integration. This has started with the expanded and active involvement in the

integration process by major political entities, in particular by heads of States of member countries. These political leaders have been holding more frequent summit meetings, often twice or thrice annually, to review integration efforts and outline specific revitalization measures as in the case of the Rio Group for the Latin American Integration Association (LAIA), the Andean Presidential Council and the heads of State of the Southern Common Market (MERCOSUR) and the Caribbean Community (CARICOM). For example, through a series of meetings the Andean Presidential Council adopted the "Strategic Design for the Andean Group", setting out a new framework for cooperation and integration with the twin objective of consolidating the Andean economic space and enhancing Andean integration into the world economy. Cooperation among the political leaders led to the formation of a new grouping, the Association of Caribbean States (ACS) in July 1994 by 25 countries and several dependent territories washed by the Caribbean Sea.

27. Guaranteeing a minimum of overall balance in applying integration mechanisms to ensure that while free trade and common market commitments are being assumed, joint activities to promote other important sectors such as industry, technology, transport and environment, to name but a few, are not ignored is also given prominence. This comes about as countries are reviving and giving new meaning to the concept of economic integration by widening its scope to cover the conduct of activities in a wide variety of fields which contribute to the overall development and to the attainment of shared objectives of countries of the region. It also flows from the realization that subregional/regional integration must fit in with broader national development strategies for enabling countries to achieve development as well as undertake necessary structural changes for the modernization and development of their economies. MERCOSUR countries, for instance, are harmonizing policies with regard to customs, internal and external trade, agriculture, industry, transport, communications, science and technology as well as speeding up action to coordinate specific aspects of their monetary, fiscal, foreign exchange and investment policies through specific agreements.

28. Of rising importance also is a decisive movement towards guaranteeing, as an essential element, a minimum of harmonization in macroeconomic policies to render integration viable in keeping with specific situations and requirements. This arises because through the application of similar structural adjustment and stabilization measures, macroeconomic policies tend to coincide in some fundamental aspects, giving rise to an objective situation which offers opportunities for coordinating, drawing together and gradually harmonizing policies. If the harmonization of economic policies, regulations and standards in addition falls in line with those evolved in the Uruguay Round, as some organizations are attempting to do, then product standards, rules governing establishment of businesses and environmental regulations tend to become building blocks for participation in the global economy. The MERCOSUR example cited above falls in this sphere. The same obtains when rules governing dispute settlement, anti-dumping measures and safeguard provisions are modelled after the WTO standards. This process ensures both clarity, transparency and international standardization of rules.

29. Securing the implementation of more decisive and efficient measures to achieve more effective participation of the relatively less developed member

States and enterprises in integration projects is a traditional priority area. LAIA, the Andean Group, the Central America Common Market (CACM), MERCOSUR and CARICOM have approved measures which have included a slower pace of liberalization in the implementation of subregional trade liberalization programmes. The MERCOSUR two-track integration programme is an example; free trade was achieved between Argentina and Brazil by the end of 1994 and was extended to Paraguay and Uruguay in 1995.

30. Last but not least, there has been an outburst of bilateral, trilateral and multilateral free trade area initiatives which is creating a networking of free trade and wider integration arrangements in the continent. Some examples of this are: continuing trade liberalization within LAIA and the Andean Group; the creation by MERCOSUR of a customs union on 1 January 1995; the expected entry into force in 1995 of the free trade agreement of the Group of Three (Mexico, Colombia, Venezuela); the 1992 free trade agreement of the Northern Trade Triangle (Honduras, El Salvador, Guatemala), which later became the Central American Group of Four with the admission into the group of Nicaragua in 1993; and various free trade accords between Central American countries and the Group of Three countries such as the Mexico-CACM accord (1991), the Colombia-Venezuela and CACM accord (1993), the Venezuela-CARICOM non-reciprocal trade accord (1992) and the Colombia-CARICOM reciprocal trade agreement. These second generation free trade efforts are being supplemented with initiatives aimed at evolving free trade in the Americas as a whole (see box 4). Although this is a positive development it has raised the fear that the bilateral/trilateral ventures could undermine cooperation within the wider subregional and regional framework. Thus, initiatives have been taken to preserve the overall integration framework into which bilateral agreements are inserted so that the bilateral and multilateral integration processes are complementary. The Central American Integration System (SICA), for example, was created in 1991 as the umbrella organization for all integration efforts in the subregion; all existing organizations would be rationalized under the relevant SICA subsystem for economic, social, cultural and political integration. LAIA States adopted resolutions in 1991 urging LAIA to foster and support bilateral and multilateral integration processes between member countries by developing a standard-setting framework consistent with open regionalism.

Box 4. Initiatives for free trade in the Americas

Convinced of the need to review positions adopted by the United States to Latin America and to send a political message to the region, the President of the United States unveiled the Enterprise for the Americas Initiative (EAI) in an address given in the White House on 27 June 1990 to an audience of public figures and ambassadors of the region. The EAI has three different but interrelated elements, namely international trade, investment and external debt. Regarding trade, the EAI proposes the negotiation of a free trade area encompassing the entire Americas. (Regarding investment, the EAI proposed to set up a Multilateral Investment Fund to support the process of modernization; 21 member States of the Inter-American Development Bank signed an agreement in 1992, and which entered into force in January 1993, creating the Fund. With regard to debt, it is proposed to reduce the principal, extend the periods and accept the payment of concessionary interest in local currency to establish environmental funds. This proposal would apply only to official debts owing to the Government of the United States and its agencies.)

Drawing inspiration from the EAI, the Canada-United States free trade area that came into force in January 1989 was extended to include Mexico through a new agreement entitled the North American Free Trade Area (NAFTA). NAFTA negotiations started in June 1991 and in December 1993 the three concerned countries signed the agreement, which then entered into force in January 1994. The goal of NAFTA, as the name suggests, is to establish a free trade area among the participating countries.

NAFTA (in its final provisions) states that other countries or groups of countries may be admitted into the Agreement if the NAFTA countries agree, and subject to terms and conditions that they require and to the completion of domestic approval procedures in each country. The term "other countries or groups of countries" is essentially applicable to the region. NAFTA therefore is another step forward, after the EAI, towards the planned hemispheric trading area. Indeed, in December 1994 the three NAFTA countries agreed on widening NAFTA membership to include Chile.

In December 1994 also, 34 heads of State and Government attending the Summit of the Americas in Miami agreed, among other initiatives, to create a free trade area encompassing the entire hemisphere. The technical negotiations on the free trade area framework started in January 1995, and the process is expected to culminate with the signing of the enabling agreement by the year 2005. The hemispheric free trade area would build upon the existing subregional/regional free trade agreements like NAFTA and those in Latin America and the Caribbean. This decision is another step forward in the preparatory process for the creation of a hemispheric trading area.

While the three initiatives previously mentioned were in the main initiated by the United States, for the developing countries in the region, the building of free trade pacts with developed country neighbours is part and parcel of the emerging process of open regionalism.

D. South-South cooperation at the global level

1. Mobilization of the South

31. Parallel to subregional and regional cooperation efforts, at the global level the developing countries perceived a need to devote resources and efforts to developing better organization and coordination of the countries of the South to advance their common interests within multilateral negotiating forums, especially the United Nations. This objective motivated the formation of the Non-Aligned Movement (1961) and the Group of 77 (1964). NAM and the G-77 are the largest manifestations in which the South unites to speak with one voice and pursue policies of solidarity and enhanced bargaining power. The need and demand for South-South cooperation at the global level is as strong as ever. The mechanisms and institutional support for such cooperation have become diversified and improved. There appears to be a heightened commitment to South-South cooperation and the value of such cooperation is being demonstrated through practical actions. Thus, for example, several developing countries established the Summit Level Group of Developing Countries (Group of Fifteen) in 1989 and the South Centre became an intergovernmental organization in 1995. Generally speaking, the mobilization of the South within the framework of these institutions in recent years has been characterized by continuing efforts to maintain and strengthen coordination and to bolster joint activities as reviewed below. This is no mean achievement in a period when doubts are voiced about the continuing solidarity of the countries of the South. In addition to serving as agents for international negotiations, which is an important dimension of cooperation, NAM and G-77 have designed and adopted economic cooperation programmes which are being implemented with varying degrees of success.

Group of 77

32. Within G-77, coordination has improved among chapters established in various capitals with a major concentration of United Nations agencies and organizations (Geneva, New York, Paris, Rome, Vienna, Nairobi), while collective actions in intergovernmental forums and negotiations have increased and diversified. 14/ The Group thus not only acted on traditional items of the North-South economic agenda in the United Nations and the different organizations of the United Nations system and at various United Nations conferences, but has also mounted a joint stand in negotiations relating to the conventions on global climate change and on biodiversity, and on the Global Environment Facility. While the developing countries did not negotiate as a group in the Uruguay Round, consultation and coordination between them increased as the Round progressed, and their collective voice was often heard. The need for such coordination is bound to increase as steps are taken to implement the provisions of the Marrakesh Final Act, within the ambit of the WTO. The G-77 also issued statements on a variety of matters on the occasion of its ministerial-level meetings.

33. Significantly, the Group of 24 - which is the Washington, D.C. chapter of G-77 - acted jointly at the annual World Bank/IMF meeting in Madrid and used its collective weight to bar the proposal by some major industrial countries of the North to allocate SDRs in a manner which did not take into account developing country interests. This was an important development in the context of World

Bank/IMF proceedings, in that it signalled a renewed conviction on the part of developing countries that if they were to have any incidence in these institutions, they needed to be better prepared technically, improve their coordination and engage in collective action. 15/

34. Practical steps have also been taken within G-77 to improve communications, the diffusion of information and coordination between the various chapters, as well as to organize analytical back-up for the Group's work and negotiating positions. 16/ During their annual consultations, the Chairmen of the G-77 chapters adopted joint policy stands, including a common declaration on "An Agenda for Development", and on the need to maintain UNCTAD and UNIDO, in response to suggestions in certain circles that these two institutions, which are of special importance for the South, should be closed down. In addition, efforts continued with respect to promoting the implementation of the Caracas Programme of Action for Economic Cooperation among Developing Countries. The Inter-Governmental Follow-up and Coordination Committee on ECDC of the G-77 monitors developments pertaining to the Caracas Programme of Action. During its eighth meeting in 1993 the Group reviewed the Caracas Programme of Action and made a number of recommendations in the areas of trade, technology, food and agriculture, raw materials, industrialization and technical cooperation. The meeting also agreed that environment and human resource development be integrated into future programmes. 17/

35. The Global System of Trade Preferences among Developing Countries (GSTP) is a major scheme for the promotion of South-South trade which was originally proposed in the Caracas Programme. Presently, 40 members of G-77 are GSTP participants and trade transactions among them have taken place in the framework of GSTP since it took effect in 1989. With a view to expanding GSTP membership and preferential trade, the participants launched the second round of GSTP negotiations in November 1991. The negotiations among participating countries have entered into an active phase in the following areas: facilitation of accession, product-by-product negotiations, across-the-board tariff negotiations, direct trade measures, and non-tariff and sectoral agreements. In the process, seven additional developing countries have applied for accession to the Agreement. MERCOSUR, as a subregional grouping, has also presented its application for accession to GSTP.

Non-Aligned Movement

36. In a currently unipolar world rising from the end of the cold war, and in the face of the massive power of like-minded and well-coordinated developed countries, the need for a collective stand of the South and joint articulation of developing countries' views and interests are deemed more pressing than ever. In this respect NAM, which was created in 1961, continues to play a vital role in promoting South objectives in the global political and economic arenas. This was reflected in the proceedings and outcomes of the 10th NAM Summit (Jakarta, 1992) and was given substance by the follow-up activities. A diverse range of intensive activities has been carried out in the period between the Jakarta and Cartagena Summits, based on a clear set of priorities and a work programme, all derived from the decisions of the Jakarta Summit and executed under the leadership of the NAM Chair-country, Indonesia. 18/ Expert groups were organized on such matters as the external debt, food security and a strategy for

self-propelling growth. In the case of external debt, the expert-level work on preparing a report was followed up by a Ministerial Meeting of Non-Aligned Countries on Debt and Development, whose decisions and recommendations were communicated to the United Nations, to multilateral financial institutions, to all Governments, and to the annual World Bank/IMF meeting in Madrid. 19/

37. These recommendations were also used as the basis for drafting a major United Nations General Assembly resolution on external debt, jointly sponsored by NAM and G-77. 20/ In addition to expert groups, policy papers were requested from the South Centre on a number of topics, including international commodity problems, South-South cooperation in trade, science and technology, the reform of the United Nations system, the Uruguay Round and the international trading system, in order to help keep the collective platform of the South up to date. NAM's High-level Committee on the Reform of the United Nations met regularly and produced a consolidated NAM working paper on the composition of the Security Council and on measures to enhance the effective and efficient functioning of the Security Council.

38. The Chairman of NAM, President Suharto, expressed views on behalf of the Movement to the Group of Seven at three of its summits - Tokyo, Naples and Halifax - with regard to the resumption of the North-South dialogue, the external debt issue and on the reform of the Bretton Woods institutions. 21/ This represented an important step towards establishing direct and regular exchange of views and communication between NAM and the Group of Seven.

Joint Coordinating Committee of the Non-Aligned Movement and the Group of 77

39. In view of NAM's continuing strong interest and involvement in the economic agenda and the importance of maximizing the impact and effectiveness of the developing countries in international negotiations, the need has arisen for much closer and effective coordination between NAM (as a policy mechanism) and the G-77 (as a negotiating arm of the South). This has led to the establishment of a NAM/G-77 Joint Coordinating Committee (JCC), which meets regularly in New York and coordinates the actions of the NAM Coordinating Bureau and the G-77 New York Chapter. This has also led to the decision by the Jakarta Summit (1992) to harmonize and possibly integrate the Action Programme for Economic Cooperation of NAM and the Caracas Programme of Action of the Group of 77. As a consequence of coordination through the Committee, several resolutions were moved jointly by NAM and G-77 in the United Nations General Assembly. Besides the above-mentioned resolution on external debt, NAM and G-77 jointly sponsored resolutions entitled "Renewal of the dialogue on strengthening international economic cooperation for development through partnership", "United Nations conference on South-South cooperation", and "Report of the International Conference on Population and Development". The Chairmen of G-77 (or their representative) along with the representative of the Chairman of NAM made a joint démarche at the last two summits of the Group of Seven in Naples and Halifax, respectively, and presented the views of G-77 and NAM on many development issues.

Group of Fifteen

40. The Group of Fifteen (G-15) has continued with its regular annual summits which began in 1990, where North-South issues and South-South cooperation are reviewed and discussed by the heads of State of the member countries and relevant decisions are taken. Four summits have been held and the fifth is scheduled for November 1995 in Buenos Aires, Argentina. Regular consultations of the G-15 representatives are held and the work of the Group is supported by a small secretariat, namely the Technical Support Facility (TSF). The G-15 has also launched a number of South-South cooperation activities and projects, which span a wide socio-economic spectrum. Among its activities are those dealing with trade, investment and technology, information exchange (the creation the South Investment, Trade and Technological Data Exchange Centre (SITTDEC) which, if fully operational, could provide services to over 300 users mainly from the private sector), trade facilitation arrangements (including bilateral payments agreements; see para. 54), gene banks for medicinal and aromatic plants, solar and renewable energy, petroleum and petrochemicals, food production, vocational training and poverty alleviation. It should be noted that the G-15 provides for an active role of the business sector, which meets in parallel with the summit meetings to promote cross-country investment.

South Centre

41. The South Centre was initially set up as a two-year follow-up office of the South Commission. However, following the wishes of a number of South Governments, steps were taken to transform the Centre into a permanent intergovernmental organization. Intensive consultations were undertaken with South Governments and an "Intergovernmental Agreement to Establish the South Centre" was prepared. The Agreement was opened for signature on 1 September 1994, and a special signing ceremony at ministerial level was held in New York on 30 September 1994. With the United Nations Secretary-General acting as the depositary, 43 Governments signed the Agreement during the prescribed period. By 1 June 1995, an additional two Governments had signalled their intention to accede, making a total of 45 Governments which, as of that date, had agreed to join the Centre. 22/ After the required number of ratifications and/or accessions was deposited, the Agreement came into force on 31 July 1995. The first session of the Centre's governing body, the Council of Representatives, was scheduled for September 1995. In the period of transition and consolidation, the Centre continued with its regular activities and maintained and strengthened close cooperation with G-77 and NAM, often assisting, at their request, with the preparation of analytical studies or holding consultations on topical issues.

2. Other forms of cooperation

42. Besides the mobilization of the South, developing countries have also been active in strengthening economic and other forms of cooperation at the interregional level, albeit with generally limited progress. Apart from the implementation of the G-77 Caracas Programme of Action, the NAM Action Programme and the G-15 projects referred to above, some other examples could be cited. More than 10 countries from the Organization of the Islamic Conference (OIC)

have signed a framework agreement on the creation of a preferential trade system that was drafted in 1991 to promote trade growth. The League of Arab States (LAS) continues to promote political and economic cooperation among its members through its numerous subsidiary bodies. An economic summit in Casablanca (November 1994) attended by political and business leaders from the Middle East and North Africa ended with the adoption of a declaration pledging Governments to build the foundations of an economic community. In addition, the scope of interregional cooperation has changed in recent years with new initiatives for free trade and investment involving developed and developing countries. Such initiatives have emerged in the Americas with the long-term objective of creating a hemispheric free trade area, as discussed previously. The African, Caribbean and Pacific group of States are active in the implementation and mid-term review of the Lomé Conventions. The Asia Pacific Economic Cooperation, launched in 1989, agreed at its summit in November 1994 to move towards free and open trade and investment by the year 2000 among its developed and developing economies.

III. OPERATIONAL STATE OF SOUTH-SOUTH COOPERATION IN TRADE AND MONETARY AND FINANCIAL COOPERATION

A. Development of trade

43. The potential for increased South-South trade is widely accepted and corroborated by statistical data. In 1992 trade (exports) among the developed market economy countries, having together less than 16 per cent of the world's population, accounted for well over three quarters of the group's total trade (and represented well over 50 per cent of aggregate world trade). In contrast, trade among developing countries, which together accounted for more than 70 per cent of the world's population, accounted only for about two fifths of the group's total trade (and about 10 per cent of aggregate world trade). The weakness of South-South trade in the international trading system is thus apparent but the gap also provides a strong basis for expanding trade flows among developing countries.

44. Table 1 shows that from 1970 up to 1992, trade among developing countries registered three distinct stages. The first stage covered the period from 1970 up to 1980 during which South-South trade expanded rapidly to represent one of the most dynamic components of world trade. Thus, while world trade expanded sixfold (at an average rate of 19 per cent per annum), South-South trade expanded twelvefold (at an annual rate of 25 per cent), all in current dollar terms. Correspondingly, the share of South-South trade in world trade rose markedly, almost doubling in the course of the same years (4.1 to 7.8 per cent). In interpreting these data it should be cautioned that the comparison of growth rates is somewhat distorted because the 1970s was a period of high world inflation so that in real terms the growth in South-South trade is probably much lower that the figures provided; and because the 1970s was also a period in which the price of fuels rose tremendously relative to other commodities entering world trade and given that trade in fuels loomed relatively large in South-South trade (representing about one half of such trade in the decade), trade values have been inflated.

45. The second stage applies to the period from 1980 to 1986 which, in contrast to the 1970s, witnessed a reversal in the growth of South-South trade and it was no longer the dynamic component of world trade it had been. In fact, this period saw a deceleration in the growth of world trade as a whole and with this South-South trade largely stagnated or declined, its share in world trade falling from 7.8 to 6.9 per cent. The major factor accounting for this downturn in the fortunes of South-South trade was the stagnation and decline in the economies of the developing countries following the crises of the 1980s. A positive aspect, however, was that developing countries were able to maintain their share in the much reduced import markets of developing countries, suggesting that the underlying potential for South-South trade was not eroded by the events of the 1980s. The share of trade among developing countries in the total imports of developing countries, which rose from 20 to 31 per cent between 1970 and 1980, remained at around 30 per cent in 1986.

Table 1. Inter-developing country trade by region, 1970-1992

(million US dollars)

Origin (exporting from) Developing		Destination (importing to) Developing					
		Africa	America	Asia	Oceania	Total	World
Africa	1970	672	236	494	2	1 494	12 021
	1980	2 978	5 879	3 264	1	12 962	94 942
	1986	2 821	1 374	2 598	3	7 356	46 829
	1990	3 933	708	3 624	4	8 764	66 698
	1991	4 867	1 032	3 768	4	10 145	70 092
	1992	5 229	1 211	3 504	7	9 950	70 120
America	1970	119	3 029	303	8	3 519	17 513
	1980	2 399	22 985	3 763	108	29 645	107 879
	1986	1 706	14 903	5 187	12	22 037	86 045
	1990	1 948	18 174	8 145	32	28 566	133 596
	1991	1 647	23 139	8 866	54	33 886	136 644
	1992	1 907	28 941	9 299	33	40 181	135 429
Asia	1970	895	507	6 115	89	7 735	27 126
	1980	8 894	15 764	84 389	682	110 980	372 915
	1986	7 232	10 394	94 184	585	113 489	306 246
	1990	12 843	9 653	191 008	1 110	215 801	557 249
	1991	15 670	12 460	231 037	1 178	261 110	620 861
	1992	12 682	16 411	276 616	1 169	306 878	700 240
Oceania	1970	0	0	3	7	10	482
	1980	0	6	143	83	232	2 184
	1986	1	1	269	102	372	2 121
	1990	1	3	330	171	504	2 821
	1991	1	3	442	174	620	3 317
	1992	0	0	433	93	526	3 240
Total	1970	1 746	3 794	7 022	105	12 948	58 822
	1980	15 007	44 698	92 414	876	155 477	586 898
	1986	12 340	26 826	103 188	702	144 941	451 538
	1990	19 439	28 648	204 161	1 318	255 514	774 756
	1991	22 660	36 707	244 811	1 410	307 008	840 463
	1992	20 075	46 632	290 445	1 303	358 456	922 981
World	1970	11 836	18 617	28 486	738	62 785	311 905
	1980	84 367	126 105	270 078	2 994	504 035	2 000 949
	1986	60 525	97 984	298 552	3 147	481 799	2 112 988
	1990	81 938	132 109	527 876	5 036	772 724	3 391 906
	1991	81 869	150 012	599 071	5 153	850 442	3 438 566
	1992	82 803	177 717	689 891	5 371	955 783	3 685 967

Source: UNCTAD secretariat calculations based on data from the United Nations Statistical Division (UNSD).

46. The above deduction about the underlying potential of South-South trade was corroborated by the developments in South-South trade since 1986 up to the present, which is the third stage. During this period South-South trade has been rising (significantly in some cases) and all indicators suggest that this growth will continue in the 1990s. Thus, between 1986 and 1992, South-South trade more than doubled in absolute terms to US$ 358.5 billion, becoming again one of the most dynamic elements of world trade. Its share of world trade rose from 6.9 to 9.7 per cent. The growth in South-South trade followed an overall revival in all exports from and imports to developing countries. World trade also expanded although at a pace slightly less than that of South-South trade.

47. The overall trade pattern hides notable differences in the performance of the major geographical regions. Trade within the regions (intraregional trade) has always played the major role in South-South trade, as against trade between the regions (interregional trade). It could be determined from table 1 that during the growth years of the 1970s, interregional trade was as dynamic as intraregional trade, increasing its share of South-South trade from 22 per cent in 1970 to 28 per cent in 1980. The stagnation and decline of South-South trade in the early 1980s has, however, been accompanied by an interruption in the trend towards a rise in the share of interregional trade in the total and so this share in 1986 dropped to about 21 per cent (and in value terms from US$ 43.4 billion in 1980 to US$ 31.2 billion in 1986). In contrast, intraregional trade for the same period increased slightly from US$ 112.1 billion to US$ 113.7 billion. The drop in South-South trade in the 1980s appears therefore to have affected particularly the interregional component. An effective implementation and improvement of South-South trade expansion programmes such as GSTP and the NAM Programme of Action, among others, can help to reverse the declining trend in interregional trade.

48. The steady regionalization and expansion of South-South trade is especially evident in South-East Asia, owing undoubtedly to the superior economic performance of the newly industrialized economies of South-East Asia (China, Hong Kong, Malaysia, Singapore, Taiwan Province of China, Thailand). As a source of exports, Asia accounted for 78 per cent of South-South trade in 1986 and rising to 86 per cent in 1992 (table 1). As an importer, Asia accounted for 71 per cent of South-South trade in 1986 and 81 per cent in 1992. Among the other major regions, intraregional trade is also rising and it is more buoyant in Latin America and the Caribbean than in Africa. Thus, in 1992, Africa accounted for the smallest export share in South-South trade, namely 2.8 per cent, against 11 per cent for developing America; and in terms of import share for the same year, Africa accounted for 5.6 per cent and developing America, 13 per cent. Given these data it is not surprising that intraregional trade in the Asian region is at present the dominant component of South-South trade. It also means that at present only a few countries are active in South-South trade, and so more effort is needed to increase the participation of other developing countries in South-South trade.

49. The concentration in a handful of developing countries of South-South trade becomes even sharper from the viewpoint of the major developing country exporters of manufactures, namely Brazil, Hong Kong, Malaysia, Mexico, the Republic of Korea, Singapore, Taiwan Province of China, Thailand, Turkey and the countries of former Yugoslavia. Dominated by East Asian countries, this group

of countries accounted for about 30 per cent of total South-South trade in 1980; the ratio increased considerably to 57 per cent in 1992. With China, the ratio rises to about 36 per cent in 1980 and over 70 per cent in 1992. 23/

50. The domination of South-South trade by the major exporters of manufactures follows from changes in the product structure of this trade. The change is characterized by a rising trend in the share of manufactures (chemical products, machinery and transport equipment, other manufactures) and a corresponding fall in the share of primary products (food products, agricultural raw materials, ores and metals, fuels) which had accounted for over two thirds of total trade in 1970 (see table 2). This trend, which has been in evidence since 1970, has continued up to 1992. Thus, manufactures now represent over 60 per cent of total South-South trade, as against 32 per cent in 1970. The manufactured products which feature prominently in South-South trade of the dynamic East Asian countries include machinery and transport equipment (ships and boats, electrical machinery, switchgears and parts), semi-manufactured products (leather, knitted fabrics), resource-based manufactured products and a number of capital- and skill-intensive products (office machines, automatic data processing equipment, television receivers, sound recorders, musical and optical equipment). The changing product structure of South-South trade reflects a similar trend in the global exports of developing countries and indeed of world trade as a whole.

51. The changing pattern of South-South in especially manufactures reveals certain interesting trends. It would appear that in the early years when the spread of industrialization in developing countries was only just getting under way, the efforts to develop an export trade in manufactures relied heavily on markets in other developing countries. This is reflected in the much higher share of manufactures in South-South trade (32 per cent) than in total exports to developed market-economy countries (16 per cent) in 1970. It is not difficult to see why South-South trade should play an important role in promoting the emergence of an export trade in manufactured goods. Efforts to produce such goods in a newly industrializing country will necessarily result in somewhat crude products hardly up to the modern standards embodying the latest technology to be found in developed countries. Such initial efforts could therefore hardly find markets in the developed countries where there is usually a high premium on the newest and most advanced technology. Protectionism in developed countries against processed commodities was another obstacle. In the developing countries, however, there is usually a market for the products of such intermediate technology whenever they have a significant advantage in price. Only later will the stage be reached where these new exporters can expect to penetrate the markets of the developed countries for such capital-intensive high technology goods. This has happened only in the case of some major developing country exporters of manufactures; the large majority of developing countries are still at an early stage of industrialization where reliance on South-South trade remains important for nurturing their exports of this important product group. 24/

Table 2. Commodity composition of trade among developing countries by region, 1970 and 1992

From/To	Total	Food	Agricultural raw materials	Ores and metals	Fuels	Chemical products	Machinery and transport equipment	Other manufactures
	Million US$	Percentage share of the commodity group in exports						
Total South, 1992								
America	46 632	11.6	2.4	3.2	22.9	7.8	25.1	26.7
Africa	20 075	21.0	3.9	2.7	16.5	5.6	21.9	27.5
West Asia	38 794	16.7	2.0	2.2	18.4	5.4	15.2	39.3
SEA*	257 651	7.0	3.3	3.1	14.4	8.1	27.1	36.1
Oceania	1 303	12.3	0.8	1.5	25.1	3.7	15.3	40.1
Total South	358 465	9.5	3.1	3.0	16.1	7.6	25.2	34.7
DMECs**	535 884	11.3	2.6	3.7	24.1	2.8	20.5	33.9
Total South, 1970								
America	3 794	15.3	5.9	4.5	48.3	4.8	5.8	14.9
Africa	1 746	24.1	5.8	2.1	17.8	3.2	7.2	39.6
West Asia	1 413	29.1	5.5	2.3	27.8	2.7	6.4	24.8
SEA*	5 609	23.8	17.5	5.2	22.8	3.9	6.3	19.8
Oceania	105	11.4	1.0	0.0	44.8	1.9	4.8	35.2
Total South	12 948	22.1	11.1	4.4	30.1	3.9	6.2	21.6
DMECs**	41 188	27.1	8.9	15.0	33.1	1.5	2.1	12.0

Source: UNCTAD secretariat computations, based on data from UNSD.

Note: * South and East Asia.

** Developed market-economy countries.

52. Trade within subregional/regional integration institutions constitutes a component of intraregional trade. It deserves special mention as most of the integration institutions have established preferential trade liberalization programmes and other trade promotion measures to encourage trade expansion among their members (as discussed in chapter II). While these programmes to some extent have contributed to expanding trade, up to now intra-group trade has not been a major factor in the expansion of intraregional trade. One major difficulty was the apparent lack of implementation of the liberalization programmes for various reasons. The situation, though, appears to be changing for the better according to data for the 1990s (see table 3), and it could be facilitated by the acceleration of trade liberalization efforts. Generally in the 1980s, like aggregate South-South trade, the intra-trade of most institutions suffered substantial set-backs, chiefly due to the serious international financial problems and the recessive adjustments deriving therefrom. And, like South-South trade as a whole, there has been an improvement in the intra-trade of integration institutions after 1987 which has picked up speed since 1990. The expansion has been modest in some cases as

Table 3. Intrareqional and intra-qroup trade of developinq countries, 1986-1992

Country group	Intra-group trade (million US$)			Intra-trade/world (percentage share)		
	1990	1991	1992	1990	1991	1992
Africa*	3 933	4 867	5 229	5.9	6.9	7.5
UMA	727	772	945	2.3	2.4	3.0
UDEAC	139	111	120	2.4	1.9	2.1
ECCAS	171	146	158	2.3	1.9	2.1
ECOWAS	1 470	1 425	1 567	8.3	9.1	7.8
PTA	662	642	707	6.6	6.5	6.7
SADC	360	303	333	5.2	4.4	4.4
Asia*	191 008	231 037	276 616	21.4	37.2	39.5
GCC	7 230	7 031	7 150	8.3	8.5	7.6
ECO	1 263	977	1 128	3.6	2.7	3.0
ASEAN	26 288	31 387	30 858	18.6	19.3	19.4
BA**	1 512	1 761	1 941	2.2	2.3	2.4
SAARC	811	974	1 052	8.6	9.1	8.6
Latin America and the Caribbean*	18 174	23 139	28 941	13.6	16.9	21.4
LAIA	12 336	15 079	18 588	12.1	13.5	16.7
Andean Group	1 310	1 770	1 884	4.1	5.9	6.2
MERCOSUR	4 127	5 103	7 007	12.1	15.0	18.2
CACM	661	761	796	15.3	16.8	13.6
CARICOM	396	362	368	10.1	9.3	9.0

Source: Handbook of International Trade and Development Statistics, 1993 (United Nations publication, Sales No. E/F.94.II.D.24), table 1.13.

Note: * UNCTAD secretariat calculations based on data from UNSD.

** Bangkok Agreement.

among African institutions, and substantial in other cases like Latin American institutions. MERCOSUR countries have seen a notable increase in intraregional trade, for example.

53. A special subject facing integration organizations is trade in services, normally included in the legal documents of most organizations with emphasis on infrastructural services. At present, as a result of the growing awareness about the increasing importance of trade in services and their impact on the development process, and as a result of the inclusion of services in the multilateral trade negotiations under the Uruguay Round, the integration organizations face the challenge of incorporating services preferences into their cooperation programmes in order to take advantages of provisions of article V of the General Agreement on Trade in Services (GATS) which guarantees the legitimacy of these arrangements. This article is similar to article XXIV of GATT on free trade agreements and customs unions; however, it had different criteria and flexibility in the examination of developing countries' organizations. 25/

B. Monetary and financial cooperation 26/

1. Multilateral clearing and payments arrangements

54. Among the prominent forms of monetary and financial cooperation designed to support South-South trade are multilateral clearing and payments arrangements. As of early 1995, developing countries were involved in seven arrangements, three in Africa (West African Clearing House (WACH), Clearing House of the Economic Community of Central African States (CHCAS), PTA Clearing House (PTACH)), one in Asia (Asian Clearing Union (ACU)), and three in developing America (LAIA Payments and Reciprocal Credit System, Central American Clearing House (CACH), Caribbean Multilateral Clearing Facility (CMCF)). Of the seven arrangements, the CARICOM facility ceased operations in 1984 owing to unsettled balances. 27/

55. The experience gained with multilateral clearing and payments arrangements of developing countries shows that they have proved a useful instrument for promoting monetary and financial integration. Since 1990, the performance of the multilateral clearing and payments arrangements generally has improved with an expansion in both intra-group trade and transactions channelled through them (see table 4). A number of the arrangements also created new instruments to strengthen their operations. For example, ACU has been successfully implementing a currency swap arrangement since 1989 and PTACH is unique among clearing houses on account of the introduction in 1988 of travellers cheques denominated in the PTA unit of account (UAPTA) and have been in use since then. The improvement, however, is not shared by all arrangements. The bulk of both intra-group trade and total transactions is concentrated in two facilities, ACU and the LAIA arrangement. A number of the arrangements are facing declining transactions although intra-group trade has been rising. CACH was resuscitated as the Central American Payments System; however, operations within the facility have dwindled mainly because of the liberalization of the exchange rates system

Table 4. Performance of multilateral clearing and payments arrangements, 1986-1992

(million US dollars)

Year	Intra-group imports (1)	Total transactions channelled through the system (2)	Net settlement in foreign exchange (3)	Ratios (percentages) (4)=(2/1)	(5)=(3/2)
ACU					
1986	1 069.2	690.6	217.0	65	31
1987	1 105.6	625.3	227.8	57	36
1988	1 222.7	940.8	242.3	77	26
1989	1 581.3	1 041.7	208.3	66	20
1990	1 852.5	1 356.1	482.8	73	36
1991	2 265.0	1 821.4	420.2	80	23
1992	2 500.0	1 953.9	765.9	78	39
CACH					
1986	466.2	189.3	40.4	41	21
1987	526.2	29.3	...	6	...
1988	565.4	5.6	...	1	...
1989	599.3	1.6	...	0	...
1990	639.3	0.1	0.0	0	...
1991	675.0	140.7	60.0	21	43
1992 (Jan-July)	272.1	56.2	45.2	21	80
CHCAS					
1986	125.0	1.3	1.2	1	92
1987	128.0	1.5	1.4	1	91
1988	193.0	1.1	0.8	1	73
1989	235.0	1.6	1.6	1	100
1990	210.0	1.1	0.9	1	77
1991	153.0	1.2	1.0	1	81

Year	Intra-group imports (1)	Total transactions channelled through the system (2)	Net settlement in foreign exchange (3)	Ratios (percentages) (4)=(2/1)	(5)=(3/2)
LAIA					
1986	7 674.0	6 672.6	1 066.3	87	16
1987	8 711.0	7 491.8	1 264.2	86	17
1988	9 651.0	8 752.6	1 458.0	91	17
1989	11 147.0	10 136.9	2 512.6	91	25
1990	12 381.0	10 019.6	3 469.0	81	35
1991	15 620.0	11 610.0	2 876.4	74	25
1992	19 960.0	13 772.0	3 845.0	69	28
PTA					
1986	482.0	69.7	36.0	14	52
1987	492.0	113.7	62.3	23	55
1988	558.0	190.6	95.1	34	50
1989	579.0	282.6	132.6	49	47
1990	580.0	263.9	111.6	46	42
1991	662.0	238.1	80.2	36	34
1992	...	191.8	59.7	...	31
WACH					
1986	970.0	89.6	77.2	9	86
1987	1 132.0	58.4	55.4	5	95
1988	1 298.0	32.6	23.3	3	71
1989	1 503.0	13.9	9.5	1	68
1990	1 272.0	48.0	10.3	4	21
1991	1 357.0	17.0	9.2	1	54

Source: "Clearing and payments arrangements among developing countries: recent developments, long-term policy considerations" (UNCTAD/ECDC/23, table 1, p. 37).

in participating countries which made the use of the clearing house unattractive. Similarly, transactions channelled through PTACH and WACH have been on the decline since 1990.

56. Recent efforts in the multilateral clearing and payments arrangements have focused on reviewing their role and functions from a long-term perspective in view of the growing current account convertibility in developing economies and against the backdrop of major institutional changes taking place in major subregional and regional integration organizations. Certain arrangements like ACU and WACH have expressed interest in transforming their payments schemes into monetary cooperation zones. Attracting new membership is a recurrent challenge in the promotion of ACU. Various proposals have been launched to reactivate the CARICOM facility and to improve the facility in Central America. PTA is considering the establishment of a reserve fund. Officials of developing countries also have expressed interest in linking clearing and payments arrangements across regions.

57. The Group of Fifteen at its first summit in 1990 approved a number of projects, one of which was the creation of a financial mechanism for the promotion of trade among member States. This is to be achieved in two stages, stage one being the formation of bilateral payments arrangements between interested pairs of countries and stage two consisting of a multilateral interregional payments system on a pilot basis among selected countries. Accordingly, several bilateral payments arrangements (BPAs) have been established. It was reported that by early 1992 Malaysia (coordinator of BPAs with G-15) had established 11 BPAs with other G-15 countries. 28/

58. It could also be mentioned that in 1978, the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries was established to encourage the exchange of experience, harmonization of strategies, and formulation of individual and joint projects for expanding and improving activities of its members, which consist of all clearing and payments arrangements, monetary funds, trade financing institutions and other bodies of financial cooperation among developing countries. The central banks of developing countries enjoy observer status. Meetings of the Committee were held at Buenos Aires (1978), Dakar (1979), Abu Dhabi (1980), Bridgetown (1981), Las Palmas (1985), Montevideo (1988), Las Palmas (1990) and Santa Cruz de Tenerife, Canary Islands (1994). UNCTAD acts as its technical secretariat.

2. Trade financing

59. Export financing has long been considered a key element in determining the competitiveness of regional suppliers. However, the dearth of trade-financing facilities is a hallmark of many developing countries and this has been a major weakness which has adversely affected the development of South-South trade. According to an UNCTAD survey published in 1991, only 16 countries had fully fledged and specialized trade-finance institutions. 29/ In 56 countries there was a modicum of institutional capacity, usually lodged at the central banks, which are by their very nature removed from trade finance and have different, and sometimes even conflicting, objectives. 30/ The sluggishness in intraregional trade which has accompanied the drop in overall export earnings in

the 1980s contributed to focusing attention on the importance of providing adequate finance.

60. Efforts in this direction have taken various paths. Some developing countries and their cooperation institutions have established specialized lending institutions, namely, export-import banks that provide medium-long-term loans and may also offer guarantees or insurance. Many have established a separate export credit guarantee and insurance agency, typically of an official nature, responsible for credit enhancement. Financing modes have also experienced some changes by operating a wider range of facilities (short-term export finance, pre-shipment credit, investment loans and export marketing finance). Some export credit programmes use new modalities of export financing such as overseas investment credits that enable national companies to invest overseas in equity or to provide loans to such joint ventures, and import credit for imported machinery and inputs. Some export finance techniques have also been adopted by developing countries to fulfil requirements of importing capital goods; examples include factoring and forfeiting. Despite these innovations, gaps and shortages of trade-finance persist in the vast majority of developing countries.

61. Parallel to developments in domestic export facilities and credit and payments facilities, regional financial institutions involved in export promotion have been strengthened and new institutions and mechanisms of financing have been adopted. Most of the regional trade financing institutions of developing countries were designed with the aim of providing short- and medium-term credits for the financing of their mutual trade as well as their export trade with developed countries. Their main objective is to supplement trade finance provided by national and international financial institutions. These institutions therefore assist the process of South-South trade expansion and integration. Their contribution in this regard can only be very modest, however, bearing in mind that their role is by no means confined to the financing of South-South trade but covers trade with third countries as well, and that existing institutions have a lending capacity that is modest compared to South-South trade volumes. Box 5 shows the existing regional trade financing facilities, their main features, financing coverage and recent amounts of lending (wherever available).

Box 5. Regional trade financing facilities of developing countries

Islamic Development Bank. Established in August 1974 and formally opened in October 1975, the trade financing window of the Bank supports the promotion of trade among Islamic countries by way of providing import trade financing (post-shipment finance, short-term financing), long-term trade financing (post-shipment, medium- and long-term financing), and portfolio credits (post-shipment finance, short- and medium-term financing). Export credit loans plus indirect and co-financing by the Bank amounted to over US$ 250 million in 1993.

Arab Trade Financing Programme (ATFP). Set up in 1989, ATFP promotes intra-Arab trade through rediscounting of trade financing instruments from member countries covering pre- and post-shipment finance, loans and lines of credit, and guarantees accepted if issued by IAIGC (see below). Between 1991 and 1993, ATFP approved 94 applications for lines of credits totalling US$ 263 million.

Inter-Arab Investment Guarantee Corporation (IAIGC). IAIGC was set up in 1974 and started activities in 1975. It provides guarantees against non-commercial risks for Arab investors and Arab loans to promote investments within Arab countries. In 1993, the value of guarantee contracts signed by IAIGC amounted to US$ 14.4 million for investment contracts and US$ 47 million for export credit contracts.

Andean Development Corporation (CAF). CAF was set up in 1970 and offers trade financing through the Andean Trade Financing System (SAFICO) and the Mechanism for Confirmation and Financing of Letters of Credit and Imports (MECOFIN) in the form of pre- and post-shipment short-term credit, project loans and trade financing. Indirect financing to banks amounted to US$ 412 million in 1994 and disbursements of short-term operations amounted to US$ 1,207 million.

Banco Centroamericano de Integración Económica (BCIE-CABEI). Established in 1961 and starting operations the same year, the integration bank (a) supports Central American commercial banks in trade financing operations; (b) supports development of productive sectors; (c) executes a special programme of support for exports to Honduras and Nicaragua; and (d) handles co-financing operations. Modalities of financing covered include pre- and post-shipment financing and lines of credit. Disbursements in 1993 amounted to US$ 9.6 million under (a); US$ 23.9 million under (b); US$ 10.8 million under (c); and US$ 3.4 million under (d).

Inter-American Development Bank. Set up in 1959, one of the major goals of the Bank is to promote intra- and extra-regional trade of Latin American countries by way of providing an export financing programme (medium- and long-

term), operating the Venezuelan Trust Fund and co-financing activities with bilateral and multilateral institutions. In 1993, the volume of refinancing amounted to US$ 30 million, of which 85 per cent consisted of bank credits to exporters, and the total amount of co-financing operations in 1994 amounted to US$ 1,376 million.

Banco Latinoamericano de Exportaciones (BLADEX). Established in 1977, BLADEX provides resources for short-term financing of foreign trade transactions in the Latin American region. From 1979 to 1993, BLADEX provided over US$ 3,670 million worth of trade financing.

Latin American Reserve Fund (LARF). Established in 1988. LARF supports trade finance operations originating in member and non-member countries through provisions of pre- and post-shipment credit lines. Between January and June 1994, LARF trade financing through Bankers Acceptances amounted to US$ 73.5 million, credits to commercial banks amounted to US$ 1,035 million and advances amounted to US$ 19.6 million.

In Africa the following facilities exist: the PTA Bank which undertakes some trade finance operations; the PTA Reinsurance Company, established in 1990 to promote the growth of national, subregional and regional underwriting and retention capacity; and the African Export-Import Bank established in 1994 and which, among other operations, will extend financial facilities to African clients with soft or reduced terms.

3. Financial flows

62. Financial flows among developing countries display varying trends depending on the character of the flow. Public and publicly guaranteed flows, consisting mostly of official bilateral credits, have been declining. Data for recent years show a sharp decrease in disbursements between 1990 and 1993 (see table 5). Except for commercial bank credits, the general decline was a reflection of sharp falls in all forms of public and publicly guaranteed flows (official bilateral, other private credits, suppliers credit). In addition, repayments (amortization and interest payments) have exceeded new disbursements. The consequent net outflow of resources almost reached the level of US$ 1,900 million in 1990 and declined slightly in 1993. The present trend in South-South public and publicly guaranteed flows therefore shows repayments by debtors exceeding new disbursements by creditors. The geographical composition of these flows differs widely (see table 6). Unlike the general declining trend described above, a few Asian countries are important sources of disbursements and are net creditors. Their performance helped improve the regional picture so that the disbursements of the Asian region increased between 1990 and 1993; in contrast, that of Africa and Latin America fell strongly. So the net balance of Asia improved while that of the other two regions deteriorated. 31/

Table 5. Inter-developing country public and publicly guaranteed financial flows by type of credit,* 1990 and 1993

(million US dollars)

	Official bilateral	Banks	Other private credits	Suppliers credits	Total	Bonds a/
Disbursements						
1990	2 797	583	640	592	4 612	n.a.
1993	1 553	596	139	431	2 719	n.a.
Amortization						
1990	2 705	1 365	267	589	4 926	47
1993	1 978	741	217	510	3 446	0
Interest payments						
1990	810	521	115	159	1 605	4
1993	601	183	39	120	943	0
Repayments b/						
1990	3 515	1 886	382	748	6 531	51
1993	2 579	924	256	630	4 389	0
Balance						
1990	-718	-1 303	258	-156	-1 919	n.a.
1993	-1 026	-328	-117	-199	-1 670	n.a.

Source: World Bank, International Economic Department, Debt and Finance Unit.

* In World Bank categorization, the group of developing countries also includes Greece, Portugal, Turkey, and Central and Eastern Europe.

a/ Data on bonds only available for repayments.

b/ Repayments - amortization + interest payments.

Table 6. Inter-developing country public and publicly guaranteed financial flows by country and region, 1990 and 1993

(million US dollars)

	Disbursements		Repayments a/		Balance	
	1990	1993	1990	1993	1990	1993
Developing America	615	283	984	892	-369	-609
Chile	0	3	0	1	0	2
Panama	55	25	68	37	-13	-12
Cuba	91	0	4	18	87	-18
Mexico	72	13	101	100	-29	-87
Argentina	87	32	168	122	-81	-90
Venezuela	118	155	160	259	-42	-104
Brazil	186	53	452	334	-266	-281
Africa	219	91	272	241	-53	-150
Côte d'Ivoire	0	0	6	4	-6	-4
Egypt	0	0	1	4	-1	-4
South Africa	12	17	35	22	-23	-5
Morocco	5	0	1	6	4	-6
Libyan Arab Jamahiriya	54	7	94	15	-40	-8
Kenya	0	0	0	12	0	-12
Algeria	1	11	41	65	-40	-54
Tunisia	143	56	85	113	58	-57
Asia	874	1 405	2 612	1 574	-1 738	-169
China	187	294	112	159	75	135
Turkey	81	213	168	79	-87	134
Republic of Korea	100	184	199	107	-99	77
Macau	0	58	7	5	-7	53
Malaysia	0	26	0	0	0	26
India	5	96	49	79	-44	17
Oman	200	0	3	0	197	0
Pakistan	18	0	21	2	-3	-2
Iraq	2	4	34	7	-32	-3
Jordan	0	0	9	7	-9	-7
Indonesia	12	29	1	58	11	-29
Iran, Islamic Republic of	0	0	102	46	-102	-46
Saudi Arabia	240	293	492	343	-252	-50
Bahrain	18	201	1 408	681	-1 390	-480

	Disbursements		Repayments a/		Balance	
	1990	1993	1990	1993	1990	1993
Europe	74	45	176	76	-102	-31
The former Yugoslav Republic of Macedonia b/	0	19	0	2	0	17
Yugoslavia	73	26	175	73	-102	-47

Source: World Bank, International Economics Department, Debt and Finance Unit.

Note: In conformity with the categories used by the World Bank, the columns on recipient developing countries also include Greece, Portugal, and Central and Eastern Europe.

a/ Repayments - amortization plus interest payments.

b/ The figure for repayments includes interest payments only.

63. The mobilization of financial resources through the promotion of regional capital market integration is a new aspect of ECDC. Recent efforts indicate that regional cooperation offers a way of solving many of the problems associated with both nascent and emerging national capital markets. The regional scale may provide the necessary market size for viability both in costs and volume; it may also strengthen a country's capacity to resist the adverse effects of changes in international capital markets; and it may help in the mobilization of resources in countries and within social groups where such is not otherwise possible. Thus in Africa proposals for fostering regional capital markets are being considered within ECOWAS and the African Capital Markets Forum. In Latin America and the Caribbean more concrete advances have been made such as the formation of the Caribbean Stock Exchange which started operations in 1991, and members of the Ibero-American Stock Exchange Federation which created in 1990 the Ibero-American Electronic Stock Exchange with the aim of processing trade electronically in major regional enterprises. In Asia, the Union of Arab Stock Exchanges and the East Asian and Oceanian Stock Exchanges Federation continued their efforts to promote harmonization and cooperation in securities trading in their respective regions.

64. In contrast to publicly guaranteed flows the conclusion drawn from scant available data on inter-developing country non-guaranteed private flows, primarily in Asia, is that such flows have been rising. A recent UNCTAD report indicates that the intraregional cumulative stock of foreign direct investment for selected Asian countries (Hong Kong, Republic of Korea, Taiwan Province of China, Indonesia, Malaysia, Philippines, Thailand) grew from US$ 10,440 million in 1980 to US$ 131,984 million in 1993. 32/ Moreover, intraregional investment accounted by 1993 for about 45 per cent of the total, as compared with about 27 per cent in 1980. China received around 78 per cent of the intraregional FDI. This suggests that investment opportunities are being increasingly seized

by transnational corporations from the region itself. It also implies that firms from East and South-East Asia are currently the leading outward investors. An analysis of intraregional FDI flows in Africa and Latin America and the Caribbean is not possible at present owing to the lack of data.

4. Development banks and funds

65. Developing countries have established, often within the framework of ECDC organizations, banks and funds at subregional, regional and interregional levels to support South-South cooperation. The African countries in particular have been rather prolific in this regard so by way of illustration, the African institutions or institutions in which African countries are involved are cited below.

66. Regarding banks at the regional level, the African Development Bank, created in 1963, began its operations on 1 July 1966. Its purpose is to contribute to the economic development and social progress of its regional members individually and jointly by, inter alia, (a) mobilizing and increasing, in Africa and outside Africa, resources for financing investment projects and programmes, and (b) providing technical assistance as may be needed in Africa for study, preparation, financing and execution of development programmes and projects. As at the end of 1994 the Bank had 50 regional African countries and 25 non-regional members. The authorized capital at the end of 1994 was SDR 16.2 billion subscribed by regional countries at 53.3 per cent and 36.7 per cent by non-regional members. The Bank's agreement provides that the proportion to total voting power between the two groups of countries should be 2:1. It could also be noted that the Bank manages the Nigeria Trust Fund, established by an agreement signed between the Bank and the Nigerian Government in February 1976. The Fund's aim is to assist the development efforts of the Bank's members, particularly those in more needy circumstances, by extending loans on concessional terms (interest rate of 4 per cent per annum on outstanding balances and an annual commitment fee of 3/4 per cent on amounts undisbursed).

67. At the subregional level, various development banks operate including:

(a) The Banque ouest africaine de developpement (BOARD) which comprises the countries of UEMOA. Its capital was subscribed by Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo and the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO). The aim of the Bank is to promote the development of its member countries and to realize the economic integration of West Africa. By September 1990 the Bank had approved 128 operations amounting to CFA francs 117.6 billion. On a sectoral basis, CFA francs 47.8 billion were intended for rural development and basic infrastructure, CFA francs 41.9 billion for modern infrastructure and energy, CFA francs 15.9 billion for industry and other productive activities, CFA francs 9.1 billion for lines of credit and CFA francs 2.9 billion for acquisition of share-holdings;

(b) The Central African States Development Bank (Banque de developpement des Etats d'Afrique central) (BDEAC), created in December 1975 by the former UDEAC States to promote the economic and social development of member countries

notably by financing multinational projects and projects of economic integration. The Bank is also called upon by its statutes to support States and national financing institutions in their efforts to mobilize financial resources and the financing of projects of major importance for the economy of member countries. As of June 1994 the capital of the Bank amounted to CFA francs 41.9 billion. Chad and Equatorial Guinea later joined the Bank;

(c) The East African Development Bank (EADB), created on 6 June 1967 within the framework of the East African Economic Community formed by Kenya, Uganda and the United Republic of Tanzania, and which was subsequently dissolved and then resuscitated in 1993. The authorized capital stock of the bank amounts to SDR 40 million. As set out in its charter the main objectives of the Bank are to provide financial assistance and to promote the development of the member States in such fields as industry, tourism, agriculture and infrastructure;

(d) The Banque de developpement des Etats des Grands Lacs (BDEGL) set up by CEPGL. It has been operational since 1980. The objective of the Bank is to contribute to the economic and social development of member States, individually or collectively, either by taking part in the financing of their development projects or by facilitating the achievement of such projects through measures like guarantees for loans for the financing of economically and financially viable projects. The current economic crisis and political instability in the CEPGL countries has not allowed the Bank to perform its functions;

(e) The COMESA Trade and Development Bank which began operating in early 1986 in the area of pre-shipment finance direct to regional borrowers. In the three years between August 1989 and July 1992 during which reshipment loans and confirmations of letters of credit were made by the Bank, it completed a total of 18 separate transactions with 6 member countries. The aggregate total of funds is US$ 52 million, representing less than 2 per cent of the annual value of intra-COMESA trade. The Bank plans to develop an export credit guarantee fund to support regional exporters who lack the security to obtain a bank loan.

68. A number of subregional and regional funds have been set up by African countries. The Nigeria Trust Fund was mentioned above. The Fund for Cooperation, Compensation and Development was created by a protocol signed in November 1976 within the framework of ECOWAS. The purposes of the Fund are: (a) to provide compensation and other forms of assistance to member States which have suffered losses as a result of the application of the provisions of the ECOWAS treaty; (b) to provide grants for financing national or community research and development activities; (c) to grant loans for feasibility studies and development projects in member States; (d) to guarantee foreign investments made in member States in respect of enterprises established in pursuance of the provisions of the treaty on the harmonization of industrial policies; and (e) to provide means to facilitate the sustained mobilization of internal and external financial resources for the member States and the Community. Mention can also be made of the following in which some African countries participate as members: the Organization of Petroleum Exporting Countries Fund for International Development (OPEC Fund), which started operations in August 1967, the Islamic Development Bank and the Arab Fund for Economic and Social Development, which started operations in January 1974.

5. Regional monetary zones

69. On the subject of monetary zones it is recalled that the developing countries are seeking some degree of monetary integration, mostly within the framework of subregional and regional integration organizations. The most common proposals call for lesser forms of integration than monetary unions. Hence, the type of cooperation called for will, in the near future, take the forms of a consultation on monetary matters, coordination of rules, legislation and operational procedures of banks and financial policies thereon, as well as policy convergence expressed by certain key variables. Typical of this gradualist approach is the ECOWAS single monetary zone proposal entailing the adoption of medium- and long-term measures in a coordinated manner. MERCOSUR is another as members have agreed to reach basic convergence in exchange regimes by June 1994.

6. Insurance

70. The South-South modality is increasingly prominent in the field of insurance. This is because a sufficient number of risks with similar characteristics and a geographical spread, basis of the insurance mechanism, often cannot be obtained within the limitations of a company's business or within the national boundaries of a country. This has lent an international character to insurance and has prompted the establishment of wider formal frameworks of cooperation. Thus, subregional and regional insurance organizations have been established to foster an exchange of information among members, to define areas for cooperation, to chart common approaches and to encourage new contacts. The African Insurance Organisation for Africa, the East Asian Insurance Conference for East Asia, the Federación Interamericana de Empresas de Seguros for Latin America and the General Arab Insurance Federation for Arab countries have launched numerous initiatives leading to greater cooperation. The most wide-reaching recent agreement relating specifically to insurance was concluded among the francophone countries of West Africa with the creation in July 1992 by treaty (Traité instituant une organisation integrée de l'industrie des assurances dans les Etats africains) of the Conférence interafricaine des marchés d'assurances (CIMA). Mechanisms on an interregional basis or involving all developing countries, such as TWIC (Third World Insurance Congress) and FAIR (Federation of Afro-Asian Insurers and Reinsurers) further widen the scope of regional consultations. In addition, Latin America and Africa both have a regional association of insurance commissioners.

71. The benefits of greater cooperation and exchange of business among reinsurers have been emphasized and so South-South cooperation has evolved within reinsurance. Many subregional and regional pools, as well as the two regional reinsurers, Africa Re and Asian Re, are a practical illustration of such cooperation. As regards pools, mention may be made of the Africa Aviation Pool and the Africa Oil and Energy Pool managed by Africa Re, the Fire Pool of East Africa managed by Kenya Re, the Africa Fire Pool managed by Conférence internationale des contrôleurs d'assurances africains Re, the Third World Pool managed by Nigeria Re, the West African Insurance Companies Association Pool of West Africa, the Pool de Co-réassurance des pays sans littoral established by the West African landlocked countries Burkina Faso, Chad, Mali and the Niger,

the Organization of Eastern and Southern Africa Insurers pool, the Arab Fire, Marine and Aviation Pools managed by Arab Re, and the pool managed by Trin Re in Port of Spain, Trinidad. The ECO Pool, formed between the Islamic Republic of Iran, Pakistan and Turkey, is managed by Milli Re. The FAIR Pool, an important interregional pool, is also managed by Milli Re. ECO has decided to convert the ECO Pool into ECO Re, a genuine reinsurance company. A few subregional reinsurance companies have been established. Mention may be made of CICA Re in the francophone countries of Africa, Zone d'échange préférentielle Re of COMESA, Arab Re in Arab countries, Arab Union Re in the Syrian Arab Republic and the Libyan Arab Jamahiriya, private sector Nuevo Mundo in Panama and Asean Re.

IV. OPERATIONAL STATE OF SOUTH-SOUTH COOPERATION IN OTHER PRIORITY FUNCTIONAL AREAS

A. Industry and enterprises

72. Cooperation in industry is a central aspect of all ECDC organizations not only because it is essential for the overall economic development of member States, but also because industrialization expands the availability of competitive and sophisticated goods and services which then facilitates the process of trade and economic integration. In this spirit, most ECDC organizations have established industrial cooperation policies, strategies and programmes that give priority to, inter alia, the rehabilitation of industries (like agro-industries for food processing) and the promotion of multinational industries which should, inter alia, produce goods and services to meet the needs of the population, produce intermediary products and inputs for industries, promote industrial development in less advanced member countries and create job opportunities and training facilities in large enough numbers. The measures employed have included the adoption of charters for multinational enterprises regarding cross-border investment (through joint ventures), periodic organization of investment and industrial forums, organization from time to time of general and specialized trade fairs, the organizations of buyers and sellers meeting, assistance to chambers of commerce and industry and other business associations.

73. Some examples can be cited. SADC adopted in 1989 an industry strategy and programme plan which seeks to increase substantially the share of manufacturing in member States' gross domestic product by the year 2000 through the identification, formulation and implementation of sectoral and regional industrial projects. In COMESA a Charter on Multinational Industrial Enterprise creating a framework for the development of joint ventures has been in place for some time. In Asia, ASEAN implements various programmes for joint production of basic industrial goods (the ASEAN Industrial Project Schemes inaugurated in 1976), industrial complementation in specific sectors (ASEAN Industrial Complementation Programme introduced in 1983) and other schemes of joint industrial ventures. In the Caribbean, regional industrial development is promoted by CARICOM using the CARICOM Industrial Programming Scheme introduced in 1988 for promoting and integrating industry.

74. Within this portfolio for industrial development, many ECDC organizations emphasize the lead role of the enterprise community and so programmes have been

developed and activities implemented to support the development of enterprises and promote cooperation among them. Mention could be made of the SADC national business councils which organize businessmen's conferences and provide a forum for consultation between enterprises and between them and the SADC Governments. The CARICOM Enterprise Regime took effect in 1988 to facilitate the creation of regionally owned and controlled companies in certain priority sectors and promoting small business development, among other things. The SPF secretariat encourages enterprise sector participation in regional industrial development activities through various measures such as ongoing regular and consultation visits to public and private enterprises, liaison with national chambers of commerce and industry, training seminars and workshops, and provision of technical assistance facilities (a marketing support fund scheme was set up to provide assistance to new exporters, for example). Additionally, several regional business associations have been established within the framework of integration organizations to promote cooperation and business among their members. These include the COMESA Chamber of Commerce and Industry, the ASEAN Chamber of Commerce and Industry, the Association of Latin American Trading Enterprises and the Association of African Trading Enterprises. The latter has not been operational due to financial difficulties.

75. In the new development context of comprehensive opening up and liberalization of economies, a number of changes have been brought to bear on regional joint venture and investment regimes. In the Andean Group, for example, the industrial development programmes were replaced by arrangements for industrial integration which placed initiatives for management in business sector hands, and the regime governing foreign capital was substantially liberalized by doubling the length of time made available for foreign enterprises to become domestic companies and granting them in practice full control over their profits as regards repatriation and reinvestment. This has increased opportunities for the promotion of multinational enterprises, further strengthened by a number of developments including: the growing number of export processing zones in developing countries (currently over 200); the privatization of public enterprises; competitive advantages gained by some enterprises enabling them to invest in other developing countries to create joint ventures or set up subsidiaries; establishment of joint ventures in the service sector. Technology being important in product processes, joint cooperation among enterprises in this area is necessary. 33/

B. Agriculture and food security

76. Agriculture development is a priority in the national policies of most developing countries as this sector constitutes an important part of their economies in terms of its contribution to GDP, employment and export earnings. However, in the last two decades agriculture production in most regions has been weak and has not kept pace with population growth. The poor agricultural performance has often been further undermined by unfavourable climatic conditions. In such a situation, the issue of food security 34/ becomes an especially important priority.

77. The large majority of subregional and regional ECDC organizations have adopted subregional/regional programmes for agriculture development and trade,

and the implementation of these programmes is ongoing. Elements of such South-South programmes normally encompass: coordination and harmonization of agricultural policies, promotion of food security, agriculture research, extension and technology transfer, promotion of agro-industries and manpower development. Some organizations are developing and/or implementing global and regional food security strategies and policies for emphasizing production complementarities, trade possibilities and for overcoming resource and institutional constraints. For instance, OAU, with the assistance of FAO, has been developing a Common African Agricultural Programme which is to provide the basis for the preparation of a protocol on food and agriculture for the African Economic Community. In respect of food security activities, ECDC organizations have tended to focus attention on food production (crops, livestock production and disease control, fisheries, etc.), establishment of effective early warning systems to enhance monitoring of weather and crop forecast (of shortages and surpluses), and establishment of food security reserves. COMESA and SADC have established and are implementing subregional food security programmes and related food information systems; SAARC and ASEAN in Asia have created food security reserves to ensure a stable supply of food. Under the ASEAN scheme, an emergency rice reserve was created and a food information and early warning system set up for rice, maize, soya beans and sugar.

78. Considerable progress has been recorded in agriculture research, extension and training. Various institutions have been set up to promote research, training and information exchange and TCDC. Regional commissions, other regional bodies and technical cooperation networks promoted by FAO within the fields of its competence have become effective instruments to promote and implement TCDC/ECDC activities. Mention can be made for illustrative purposes of the Southern African Centre for Cooperation in Agricultural Research set up by SADC countries in Africa; the Regional Network for Agricultural Machinery and the Regional Coordination Centre for Research and Development of Coarse Grains, Pulses, Roots and Tuber Crops in Humid Tropics of Asia and the Pacific (CGPRT Centre) in Asia; 35/ and the Caribbean Agricultural Research Development Institute created by CARICOM in 1975. In respect of TCDC study tours, an innovative example in Asia concerned the Grameen Bank project in Bangladesh. The Grameen Bank started as a small pilot project in the village of Chittagong in 1976 with the realization that the existing institutional arrangements bypassed the rural poor. The project was launched in order to provide credit to the landless poor in rural Bangladesh. In 1979 the project was institutionalized through the participation of the National Central Bank and six other commercial banks. By 1983 the project had developed into a full-fledged bank running a special credit programme. Since then it has evolved into one of the world's largest banking institutions for the poor. Its operations extend through the head office located in Dhaka, 11 zonal offices, 97 area offices and 886 branches. The experience of the Grameen bank has been successfully replicated in Malaysia, Nepal, Sri Lanka and Viet Nam.

C. Transport and communications

79. A functioning system of transport and communication is indispensable for trade and development. The growth in intraregional trade and an ever-increasing demand for travel for tourism and business purposes foster a growing need to

improve and expand transport and communication links both within regions and between regions which at present are either obsolete and dilapidated or are virtually non-existent. Most of the subregional and regional ECDC organizations have developed and are implementing joint programmes for developing, extending and interconnecting inter- and intra-subregional road, rail, air and sea transportation networks as well as transport facilitation activities. The following are some examples. The development of transport and communication was the major priority of SADC during its first 10 years of existence; at the end of June 1993 the transport sector accounted for 43 per cent of the total projects executed by SADC. The activities being implemented relate to the rehabilitation of railways, improvement of port facilities, rehabilitation and upgrading of roads, improvement of major airports and construction and improvement of communications links. In terms of telecommunication, links are being evolved through the development of various programmes such as the Pan African Telecommunications Network and the Regional African Satellite Communications System in Africa; the Caribbean Telecommunications Union in the Caribbean which oversees development in regional telecommunications; and the South Pacific Telecommunications Development Programme in Oceania, managed by the SPF secretariat. Developing countries have also continued cooperation through various subregional and regional transport and communications organizations dealing with individual modes (telecommunications, postal services, ports, maritime transport, civil aviation, railways).

80. In addition to programmes of ECDC organizations, the South-South modality is often employed in the implementation of activities for the development and strengthening of intraregional and interregional transport and communications linkages within the second phase of the United Nations Transport and Communications Decade (1992-1996). In general the accent of the programme is on the implementation of subregional and regional projects. Some examples could be cited. In Asia, the Asian land transport infrastructure development project, comprising the Asian Highway project and the Trans-Asian Railway projects, are ongoing priorities in the Decade programme. The objective of the project is to strengthen/develop land transport linkages within Asia, as well as between Asia and Europe, in order to facilitate subregional/regional and international trade and tourism. The Asian Highway project, initiated by ESCAP in 1959, aims to promote and coordinate the development of international road transport, and the Asian Highway consists of a network of international roads approximately 65,000 kilometres in length extending from Afghanistan and the Islamic Republic of Iran in the west to Thailand and Viet Nam in the east, and to Indonesia and the Philippines in South-East Asia. It also provides a connection to Sri Lanka. In Africa two ongoing Decade regional projects are the Regional Transport Data Base and Human Resources, and the Institutional Development in African Transport and Communications.

81. Shipping is a priority sector within the Decade and South-South cooperation programmes are being pursued at the level of policy formulation and implementation as well as at the operational level. At the policy level a number of developing countries are attempting to find cooperative solutions to shipping problems through subregional and regional organizations such as COCATRAM in Latin America (Commisión Centroamericana de Transporte Marítimo), MINCONMAR (Ministerial Conference of West and Central African States on Maritime Transport) in Africa and IOMAC (Indian Ocean Marine Affairs Cooperation) in the

Asian region. At the operational level, cooperation is taking place at various levels including: cooperation among shipowners through consortiums, joint ventures and space chartering arrangements which have gained considerable momentum with the large-scale introduction of containerization in the 1980s; and the active participation of national port authorities in regional and international port associations 36/ which provide a forum for the exchange of information on institutional, managerial and technical aspects, relations that, in turn, provide the potential for further cooperation in training, setting up of a roster of experts that could be utilized on a cost-plus basis by others, pooling or sharing of port equipment, and joint development of a container terminal as a hub or transhipment port for the subregion. An example of a joint venture scheme is the Pacific Forum Line, jointly owned by the SPF countries and providing vital shipping services for the subregion since 1987.

D. Natural resources including commodities, energy and the environment

82. The overriding consideration in the field of natural resources and environment is conservation of resources for present and future generations. As regards natural resources, most of the ECDC organizations have created subregional and/regional programmes with activities directed at the efficient management, conservation and exploitation of minerals, forests and marine resources. Often, the activities within this sector are developed within the framework of agriculture development (discussed above). In Oceania, for example, the island countries established the Forum Fisheries Agency which provide a mechanism for subregional cooperation in coordinating fisheries policies and research, as well as promoting sustainable fisheries development, management and conservation.

83. Cooperation and development efforts of developing countries in the area of commodities have been placed under severe strain owing to sustained pressures of supply to exceed demand, the prevalence of very real depressed commodity prices, recurrent shortfalls in developing countries' export earnings and increasing, or at best stagnating dependence on commodity exports in most commodity-producing countries, as well as the need to improve the management of natural resources in order to safeguard the environment. To meet this challenge, some countries have established commodity arrangements (such as those for coffee, jute, silk and tropical timber in Asia) to undertake activities relating to production, processing, quality control, marketing, research and development. They also provide a forum for the participating countries to coordinate their positions on matters of common interest. Indeed, most of the existing international commodity agreements came up for renegotiation since 1991 and that provided an occasion for a strengthening of cooperation among commodity-producing developing countries especially in the context of difficulties encountered in some of the negotiations. Briefly, the following are the results of some of these renegotiations:

(a) The International Cocoa Agreement, 1993, provisionally entered into force on 22 February 1994 among the Governments which had deposited instruments of ratification, acceptance or approval, or had notified the depositary that they would apply the Agreement provisionally. The 1993 Agreement provides for

new economic provisions aimed at achieving equilibrium between supply and demand through adjustments of production and promotion of consumption. The Cocoa Producers Alliance is helping producing countries to contribute to the production management mechanism of the Cocoa Agreement. As at 31 December 1994 the International Cocoa Agreement, 1993, had been signed by 37 States and the European Union, 16 States had formally become parties to it, and 17 States and the European Union had provided notification of provisional application. The United States has decided not to join the Agreement;

(b) The economic provisions of the International Coffee Agreement, 1983, were suspended in July 1989. Following intensive negotiations, the International Coffee Agreement, 1994, without economic provisions was adopted on 30 March 1994. It entered into force on 1 October 1994. As at 31 December 1994, the Agreement had been signed by 43 States and the European Union, 11 States had formally become parties to it and 21 States had provided notification of provisional application. Although the new Agreement does not include economic provisions, it stipulates the possibility of the eventual introduction of economic clauses. It further recognizes the desirability of achieving a balance between production and consumption so as to avoid excessive fluctuations in prices. In this connection also the Association of Coffee Producing Countries was established in September 1993 in Brasilia by 85 of the world's coffee producing countries. It is chaired by Brazil and has temporary headquarters in London. Producing countries unilaterally set up a market intervention mechanism known as the "Retention Plan" to stabilize prices. In the long term, the Association aims at establishing a production coordination policy and consumption promotion especially in new markets. It is not the aim of the Association to act as a "cartel" to raise prices to consumers artificially. Producers realize that that would be damaging in the long run by stimulating excess production and undermining consumption. So far the price targets of the Association have been "realistic" and market oriented;

(c) The International Tropical Timber Agreement, 1994, was established on 26 January 1994 by the United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1983. The Agreement was opened for signature at United Nations Headquarters from 1 April 1994 until one month after the date of its entry into force. As at 31 December 1994, 12 States had signed the Agreement and one State had formally become party to it. The Agreement does not include economic mechanisms. However, the new Agreement establishes a fund for sustainable management of tropical timber-producing forests called "The Bali Partnership Fund". This is designed to assist producing members to make the investments necessary to achieve the objectives of the Agreement. The incorporation of this environmental provision is a reflection of a general perception among countries in respect of all commodities that production, processing and trade should be consistent with a better management of natural resources and protection of the environment. With regard to trade discrimination, it is stipulated that nothing in the Agreement authorizes the use of measures to restrict or ban international trade in, particularly as they concern imports and utilization of, timber and timber products;

(d) In respect of the renegotiation of the International Natural Rubber Agreement, 1987, the International Natural Rubber Council decided to extend the

1987 Agreement up to 28 December 1995. All of the major natural rubber exporting and importing countries took part in the negotiations. The International Natural Rubber Agreement, 1995, will continue international cooperation on stabilization of prices of natural rubber that was begun under the 1979 Agreement and maintained under the 1987 Agreement;

(e) As at 31 December 1994, the International Sugar Agreement, 1992, which entered into force on 20 January 1993, had been signed by 25 States and the European Union; 26 States and the European Union had formally become parties to it and 6 States had provided notification of provisional application.

84. Regarding other commodities such as tea, copper, iron ore, tin, bauxite, manganese, rice, jute group fibres and cotton, cooperation among producer developing countries has continued within the wider framework of international cooperation efforts directed at improving market transparency and promoting regular dialogue between producers and consumers, among others.

85. Energy development programmes have been set up within the framework of ECDC organizations. These tend to deal at the subregional and/or regional levels with energy policy and planning, development and conservation of major energy subsectors such as woodfuel, coal, petroleum and electric power to meet the needs of the region. In addition, some programmes endeavour to develop indigenous renewable sources of energy (geothermal power, solar power, hydro-power, natural gas) to reduce dependency on petroleum as the major energy source and protect the environment. Some organizations like SPF and CARICOM have been implementing comprehensive energy programmes that cover all these areas. A number of them are implementing or considering programmes for the establishment of electricity grids in, for example, Asia where such networks are almost non-existent and intraregional trade volumes in energy are consequently generally relatively low (there are very few electricity interconnections between Singapore, Malaysia and Thailand, and between Thailand and the Lao People's Democratic Republic, for example).

86. In respect of environment, many problems transcend national boundaries especially the pollution of atmosphere, seas, international river basins and the over-exploitation of migratory fauna. Solutions to these problems require close cooperation between countries, including the pooling of their financial resources. Thus, many of the ECDC organizations are implementing subregional and regional cooperation programmes for environment management. Some of the programmes aim at preserving ecosystems by executing activities for preventing, arresting and reversing the effects of environmental degradation (deforestation, erosion, deterioration of coastal waters) and industrial pollution of soil, water and air, declining bio-diversity and loss of genetic diversity. Other programmes are directed at disaster preparedness and resolution. A few examples are cited for illustrative purposes. The Oceania region is susceptible to natural disasters so the SPF secretariat established a regional disaster relief fund to assist countries struck by hurricanes and other disasters. In Africa the Permanent Inter-State Committee for Drought Control in the Sahel and the Intergovernmental Authority on Drought and Development carry out activities designed to complement member States' efforts to combat the effects of recurrent drought and its consequences. Due to the problem of drought and desertification, countries in affected regions have been cooperating in efforts

to develop water resources. ECOWAS countries are implementing a programme for the period 1992-1996 covering a rural water supply programme aimed at creating 3,200 water points in order to develop village and pastoral water resources in States most seriously affected or endangered by drought and desertification. Another threat to the environment comes in the form of dumping of toxic wastes, and several countries have attempted to respond jointly to the threat. The ECOWAS countries thus established a regional dump-watch mechanism to monitor and prevent the dumping of toxic wastes in West Africa.

87. A number of intergovernmental institutions have been established on a subregional basis for cooperation in environmental matters. As an illustration, some institutions in the Asian and Pacific region are cited here. These include the ASEAN Senior Officials on the Environment, which is coordinated by the member countries on a three-year rotation basis, the South Asia Cooperative Environmental Programme, with headquarters at Colombo, Sri Lanka, SPREP with headquarters at Apia, Western Samoa, the Lower Mekong Basin Development Environment Programme, with headquarters at Bangkok, Thailand, and the Coordinating Body for South-East Asian Seas. 37/ The ASEAN Senior Officials on the Environment is aimed at enhancing regional planning and decision-making and accelerating the implementation of regional programmes for environmental protection and management. The South Asia Cooperative Environmental Programme 38/ covers capacity-building and awareness raising, systematic information exchange and intraregional technology transfer, environmental management for training and institutional development for training, regional cooperation in devising management plans for mountain ecosystems/watersheds and coastal resources, and wildlife and wildlife habitat conservation in the region. SPREP assists member Governments and citizens in the conservation of bio-diversity, global climate change and sea level rise, environmental planning and management, management of pollution and pollution emergencies, environmental information, education and training, and other regional environmental concerns. The Lower Mekong Basin Development Environment Programme is a programme of the Mekong River Commission for ensuring a systematic and consistent approach to environmental issues, providing information and liaising with national Mekong committees and government agencies regarding environmental protection and ecological balance. 39/ In addition, a Typhoon Committee and a Panel on Tropical Cyclones were set up to coordinate efforts among members in dealing with such natural disasters. A number of the above-mentioned institutions, including SPREP, assisted in the participation of member States in the United Nations Conference on Environment and Development and are also involved in the follow-up.

E. Education, science and technology

88. Improvement of education is a fundamental priority objective of developing countries and South-South cooperation has been employed to promote this objective. At the level of subregional and/or regional ECDC organizations the promotion of education tends to be carried out largely within the framework of human resources development programmes. In Asia and Oceania, for example, ECO, SAARC and SPF propose and pursue programmes for human resources development in member States that involve exchange programmes which open opportunities for cross-fertilization of ideas through greater interaction among students,

scholars and academics (university faculty). This includes the SAARC Chairs, Fellowships and Scholarship Scheme and the Forum Fellowship Scheme. Human resources development programmes are also being implemented in other regions to enhance the capacity of human resources and improve utilization of existing capacity (i.e. to identify what skills are available within a region and to mobilize them for South-South cooperation). In addition to these, programmes for basic education, education innovation and higher education are being implemented by developing countries, often with assistance from the United Nations Educational, Scientific and Cultural Organization.

89. The development process and its sustainability are in many ways related to the ability of countries to benefit from scientific and technological change. Achieving technological dynamism is therefore a major objective and challenge facing all countries. To this end, parallel to individual country efforts, inter-country or cross-country initiatives are taking shape in the interest of efficiency and dynamic complementarities that achieve economies of scale and broaden the scope of innovative activities, particularly where the critical level of resources is not readily available. Moreover, in the light of the challenges faced with regard to global technological developments, cooperation among developing countries in science and technology must be given an important place at the global, regional and subregional levels in respect of, inter alia: (a) possibilities for the diffusion of technologies within the South, addressing especially small and medium-size enterprises (SMEs) whose vulnerabilities are manifold; (b) possibilities of improving interactions between these enterprises and academic/scientific institutions in promoting uses of relevant technologies and the application of the research results; (c) encouraging exchanges of experiences and broadening of training opportunities; (d) contracting and setting modalities for research and development (R&D) cooperation and utilization of results; (e) providing incentives to skilled personnel to encourage them to remain in the region and thus alleviate the problem of the "brain drain" common in many developing countries; and (f) promoting TCDC exchanges which involve the sharing of experiences, expertise or facilities among two or more developing countries and, in that manner, share the cost burden for activities aiming at technological capacity-building, for example. Additionally, a number of initiatives are being discussed in various regions of the South to foster cooperation at the pre-competitive level, mainly between R&D institutions, following similar initiatives within the developed countries where such cooperation was also felt to be advantageous.

90. The successful development of South-South cooperation in science and technology depends largely on the existence of a favourable economic, social, political and legal environment in the developing countries concerned, as well as on the relevant infrastructural facilities of partners. In creating an enabling environment, an important role is played by national Governments individually and through collaborative action, in particular in the context of activities of regional economic groupings. In this respect, the example of ASEAN can be cited, within which a special Committee on Science and Technology has been in operation since 1978. In 1994, a new Science and Technology Plan of Action was introduced which includes strategies to support regional science and technology programmes, to provide close coordination and management of science and technology activities, and to develop human resources and information networking in the area of science and technology. 40/

91. At the same time, there is a growing realization that technological cooperation among developing countries cannot be limited to meetings at the governmental or departmental level and that more effort should be made to involve individual firms, including SMEs. Firms cooperate when they perceive a business opportunity and possibilities for technological empowerment. 41/ Several forms of such inter-firm regional cooperation have been emerging in different countries. For example, in Asia, the most common form of vertical regional integration has been through subcontracting, often combined with the activities of transnational corporations that rely on a supply of components from other developing countries in the region. Technology partnerships as new forms of inter-firm cooperation between small and medium-sized enterprises were recently discussed by UNCTAD. 42/ Such partnerships between firms from developing countries at different levels of development has emerged as a promising tool for technological capacity-building and increased competitiveness. 43/ The technology cooperation programme of ASEAN as well as other initiatives in the South, like the Bolívar Programme on Regional Technological Integration and Industrial Innovation and Competitiveness, further possibilities for the expansion of inter-firm research and development collaboration at a regional level, and might also serve as a jumping-off point for entry into the international market. However, the experience in Asia also demonstrates that, in many cases, SMEs are unable to find partners because of information gaps, the high cost of acquiring knowledge about potential foreign partners, difficulties in access to capital markets and international trade barriers. 44/ Accordingly, supportive actions for SMEs by Governments as well as by donor agencies and international organizations could contribute to building the necessary enabling environment. It can be noted in this respect that positive experiences in using networking strategies between SMEs have been made by the Asian and Pacific Centre for Transfer of Technology of ESCAP through the operation of the UNDP-funded Mechanism for Exchange of Technology Information, as well as through the International Network for Transfer of Environment Friendly Technologies, which assists in matching technology suppliers and importers, particularly within the Asian and Pacific region. The publication by the Centre of the bulletin Tech Monitor and the organization of TECHMART exhibitions also serves this purpose. Such activities could serve as interesting examples for other regions.

92. In recent years, a number of new initiatives have been taken with a view to improving South-South cooperation in science and technology within the United Nations development system. Mechanisms exist to promote such efforts, particularly within the regional commissions. For example, the activities of the Economic Commission for Africa have recently been focused on providing professional, technical and other forms of support to key regional institutions in science and technology. A number of events were organized by the Commission which provided a medium through which Member States could work out collaborative measures in the area of science and technology, using regional institutions such as the African Regional Centre for Technology. ECLAC has recently formulated guidelines for making progress in redressing economic deficiencies and social setbacks and intensifying of intraregional technical cooperation. ESCAP adopted (April 1994) the New Delhi Declaration on strengthening regional economic cooperation, which identified technology transfer as one of the major areas of regional cooperation. UNCTAD has contributed to such regional initiatives. It has organized, in cooperation with regional organizations and other institutions

concerned, a number of international meetings to foster South-South cooperation in the area of commercialization/application of research and development results. A Workshop of Experts on the Commercialization of Research and Development in Latin America, organized in 1993 in Argentina in cooperation with the University of Buenos Aires, examined the contribution of universities to the process of innovation. The Workshop recommended improving the dissemination, at the regional level, of information on existing research and development capabilities in order to make use of the appropriate synergies and to establish closer links to consolidate regional integration. 45/ For example in 1994, UNCTAD, in cooperation with the Asian and Pacific Centre for Transfer of Technology of ESCAP, organized in New Delhi the Regional Workshop on Community-Enterprise Cooperation in Technological Research and Commercialization/ Application of Results, which recommended pooling the resources of various research and development institutions in several countries of the Asian and Pacific region for a more efficient application of research and development results. As a follow-up to this an agreement was reached within the framework of the Asian and Pacific Centre for Transfer of Technology to establish the Regional Association for the Commercialization of R&D Results (RACORD).

93. Finally, the United Nations Commission on Science and Technology for Development, at its second session, recommended highlighting innovative programme concepts and designs and bringing them to the attention of the science and technology community. The Commission also called for the enhancement of linkages between enterprises, universities, foundations, research institutions, scientific laboratories, trade and professional associations, and other channels and mechanisms for international scientific and technological cooperation, in order to strengthen the efforts of countries undertaking reforms in their research and development systems and building innovative capacities.

F. Social development

94. Subregional and regional ECDC organizations have created and are implementing programmes in the area of social development including education, information, health and nutrition, women, youth, population, culture and poverty alleviation. A few examples would provide sufficient illustration. Among the major concerns considered at recent SAARC conferences have been poverty alleviation, youth, children, disabled persons, women and population within a regional context. A specific activity is the SAARC Youth Volunteers Programme, which seeks to harness the idealism of youth by enabling them to work in other countries in the field of agriculture and in forestry extension work. The ASEAN Population Programme covers training for population control, development of population information networks and studies on relevant issues; the women's programme addresses common problems such as illiteracy, lack of technical skills, poor nutrition and ill health, and strenuous workload especially among rural women. SADC has established a culture and information sector whose main objective is to ensure the people's involvement in the process of regional integration and development. COMESA has identified "women in development" as among its major sectors of cooperation. The sector aims at improving the economic conditions of women, increasing awareness of women in development issues at policy level and integrating women into COMESA's trade and development programmes. Measures are being taken to unite all women through national

associations and a regional federation of women's associations has been created. In ECOWAS, member States are allocating 20 per cent of official media to news on ECOWAS as part of an information programme. With a view to increasing involvement of different socio-professional groups in ECOWAS activities and support social and cultural programmes, the following professional groups have been established with ECOWAS support: the Organization of Trade Unions of West Africa, the West African Youth Association, the West African Universities Association, the West African Women's Association. In the area of health, the West African Health Community was created as a specialized agency of ECOWAS; and the CARICOM States, through the implementation of the Caribbean Cooperation in Health Programme, have achieved a high degree of cooperation in matters of public health.

95. Other activities which many ECDC organizations promote include sport competitions, the presentation of a regional prize for excellence (as in ECOWAS and CARICOM), the organization of festivals (like CARIFESTA (Caribbean Festival of Arts) in the Caribbean), promotion of tourism. Regarding the last, the countries in Oceania are organizing the "Visit the Pacific Year 1995" through the Tourism Council of the South Pacific, with European Union support, to encourage tourism in the region. Through this project, operating from 1995 to 1996, various joint publicity campaigns have been organized in Europe and North America and, in a unique form of cooperation, agreement was reached among the major airlines of the region (Quantas, Air New Zealand, Air Nuigini and others) on a Pacific Pass to be used for travel in the region during the year at substantially reduced fares. Similar campaigns have been organized by other organizations such as ASEAN.

Notes

1/ "Developments pertaining to the implementation of the recommendations of the report of the South Commission with special emphasis on South-South economic cooperation" (A/48/350, 14 September 1993).

2/ The term "economic and technical cooperation among developing countries" (ECDC/TCDC) is used interchangeably with the term "South-South cooperation" in the report though the latter has a wider connotation covering also cooperation in fields other than economics. There is also some distinction between ECDC and TCDC in that one focuses on "economic" cooperation while the other on "technical" cooperation. The Buenos Aires Plan of Action defines TCDC activities as those involving the sharing or exchange of technical resources, skills and capabilities between two or more developing countries for their individual or mutual development.

3/ Prior to this conference, a number of regional institutions were created immediately after World War II to support the development efforts of the individual countries. These included the League of Arab States (March 1945) and the South Pacific Commission (February 1947).

4/ For a comprehensive coverage and listing of the membership of ECDC organizations see the publication entitled State of South-South cooperation:

Statistical pocket book and index of cooperation organizations (United Nations publication, Sales No. E.95.II.D.18).

5/ For more discussion see the UNCTAD report entitled "Review of the work programme of the Standing Committee on ECDC, with special emphasis on the preparations for UNCTAD IX" (TD/B/CN.3/15).

6/ For an analysis of the implications of the Uruguay Round on ECDC see the UNCTAD report entitled "Evaluation of major developments in the area of economic cooperation among developing countries, including implications of the Uruguay Round results on ECDC arrangements and regular consultations, technical support, assistance and skill development" (TD/B/CN.3/14). For an analysis of the outcome of the Uruguay Round, see, for example, Trade and Development Report, 1994 (United Nations publication, Sales No. E.94.II.D.26) and The Outcome of the Uruguay Round: An Initial Assessment - Supporting Papers to the Trade and Development Report, 1994 (United Nations publication, Sales No. E.94.II.D.28).

7/ Ensuring compliance by member States is one way of addressing the problem of weak implementation of decisions adopted by the governing bodies of the integration institutions. A complementary approach is for the member States to formulate a coherent national policy and strategy on subregional and regional integration in particular and ECDC in general to bring about greater coordination and synchronization between national and subregional/regional/interregional policies. Parallel to the policy is the enhancement of the managerial capability within Government to ensure the implementation of relevant decisions and programmes (by dealing with coordination, monitoring, following up, evaluating and reporting on decision-making and on implementation). This could take the form of national focal points, separate ministries or, where this is not possible, adequately equipped units and interministerial committees to oversee the integration process at the national level.

8/ An overview of COMESA presented by its Secretary-General is reproduced in the UNCTAD document entitled "Review of international support to ECDC: experiences of developed and developing countries, their problems and prospects - Presentation submitted by Dr. Bingu Wa Mutharika, PTA/COMESA Secretary-General" (TD/B/CN.3/GE.1/Misc.2).

9/ For a review and analysis of existing and potential complementarities in the region, see "Expansion of trade and investment among ESCAP developing countries within a regional framework" (ST/ESCAP/1185), 1992.

10/ The membership of SPC includes all members of the South Pacific Forum plus the United Kingdom, the United States of America, France, and the following nine Pacific island countries and territories: French Polynesia, Guam, New Caledonia, Northern Mariana Islands, Palau, Pitcairn Islands, Tokelau, Wallis and Futuna Islands.

11/ The MSG States have agreed to broaden the scope of products included in the free trade agreement.

12/ It grew from a group of seven Commonwealth nations - Australia, Canada, India, New Zealand, Pakistan, Sri Lanka and the United Kingdom - into an international organization of 27 member countries including non-Commonwealth States. When the Colombo Plan adopted a new constitution in December 1977, its name was changed to the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific to reflect adequately the geographical outreach and scope of its activities. The membership now stands at 24, after the withdrawal of Viet Nam in 1978, and of Canada and the United Kingdom in 1991.

13/ For details see, for example, the ECLAC report entitled "Open regionalism in Latin America and the Caribbean: economic integration as a contribution to changing production patterns with social equity" (LC/G.1801(SES.25)/4). The process of adaptation of regional integration to the trend towards globalization and liberalization in the world economy is also taking place in other regions not only in terms of open regionalism as perceived in Latin America and the Caribbean, but in a wider context of open and flexible cooperation and integration. UNCTAD report TD/B/CN.3/15, referred to in note 5, discusses this phenomenon.

14/ A detailed assessment of G-77 is contained in the Group's publication entitled Thirty Years of the Group of 77, 1964-1994: United Nations for a Global Partnership for Development and Peace.

15/ See the report of the Special Working Group of G-24 which met in Antigua, Guatemala, in August 1994 to consider the effectiveness of the operative mechanisms of G-24 and to suggest measures to enable the Group to achieve the objectives for which it was set up. The Group of 24 sponsored a conference, "The International Monetary and Financial System: Developing Country Perspectives", held in Cartagena, Colombia, in April 1994. The Bureau of the Intergovernmental Group of Twenty-Four on International Monetary Affairs held an extraordinary meeting to analyse the results of the Cartagena conference.

16/ For an overview of the various activities of the Group see the report of activities of the Group of 77 for the year 1994, prepared by the Office of the Chairman of G-77 New York; the report of the Chairman of the Group of 77 in Geneva to the 18th meeting of the Chairmen/Coordinators of the Group of 77; and the programme of work of the Group of 77 for the year 1995.

17/ See the final report of the meeting (G-77/IFC-VIII/93/RPT), which is also available as General Assembly document A/C.2/48/5.

18/ See "Economic agenda for priority action, 1992-1995, of the Non-Aligned Movement" (A/48/350, annex), and "Report of the Chairman of the Non-Aligned Movement on the activities of the movement June 1994-April 1995". NAM report NAC 10/MM/CB/03.

19/ See "The continuing debt crisis of the developing countries", report of the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt and Sharing of Experiences: report of the Chairman of the Ministerial Meeting of Non-Aligned Countries on Debt and Development" (Jakarta, 13-15 August 1994).

20/ General Assembly resolution 49/94, "Enhanced international cooperation towards a durable solution to the external debt problem of developing countries".

21/ For the communications of the NAM Chairman to the Tokyo G-7 Summit see "An Invitation to Dialogue" and "Memorandum on Urgent Actions on Bilateral, Multilateral and Commercial Debt of Developing Countries".

22/ The following countries signed the South Centre Agreement, or signalled their intent to accede: Algeria, Angola, Benin, Bolivia, Brazil, Burundi, Cambodia, Cape Verde, China, Colombia, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Egypt, Ghana, Guyana, Honduras, India, Indonesia, Iran (Islamic Republic of), Jamaica, Jordan, Libyan Arab Jamahiriya, Malawi, Malaysia, Mali, Micronesia (Federated States of), Morocco, Mozambique, Namibia, Nigeria, Pakistan, Panama, Philippines, Seychelles, Sierra Leone, South Africa, Sri Lanka, Sudan, Suriname, Uganda, United Republic of Tanzania, Viet Nam, Yugoslavia, Zimbabwe.

23/ UNCTAD secretariat estimations based on data from the United Nations Statistical Division.

24/ Most developing countries continue to be strongly dependent on commodities for their export earnings. While from 1979-1981 and 1988-1990 overall commodity dependency was on average declining in South and South-East Asia, West Asia and Latin America, it was basically unchanged in Africa, the Caribbean and developing Oceania. Regarding dependency on commodity exports distinguished by stages of processing, countries in North Africa and in South and South-East Asia were especially successful in reducing the share of their unprocessed commodity exports. Countries in West Asia, Latin America and the Caribbean also seemed to have made some progress in this area whereas the situation changed little in sub-Saharan Africa - about 30 out of 42 countries are still highly dependent on unprocessed commodity exports. There are several reasons for the overall relatively poor performance of many developing countries in terms of diversification and processing of commodity exports but the critical problems are a lack of human resources development, a lack of access to external investment flows and problems of penetrating new export markets.

25/ In order to be compatible with GATS, an agreement for trade in services must fulfil two basic conditions: (a) it has to have "substantial sectoral coverage" and shall include all the modes of supply of services; and (b) it has to provide for national treatment for services providers of the member States in the services covered by the agreement, for example, elimination of all discrimination between parties, in the sectors covered. These conditions must be met either at the entry into force of the agreement, or on the basis of a reasonable time-frame. In order to evaluate the first condition, the number of sectors covered, the volume of trade affected and the modes of supply should be considered. In addition, article V provides for flexibility with respect to the basic compatibility requirements in two cases: (a) when developing countries are members of a preferential agreement in services, both between developing countries and arrangements with developed countries; and (b) when such an agreement is related to a wider process of economic integration or trade liberalization. Up to now in the WTO, none of the existing agreements have been

notified and examined in the framework of article IV of GATS; however, they would be evaluated in the future.

26/ In addition to the discussion in this section, for an analysis of issues see, for example, the UNCTAD report entitled "Enlarging and deepening monetary, financial and investment cooperation among developing countries and promoting cooperation of the enterprise sectors of developing countries" (TD/B/CN.3/13).

27/ The CARICOM facility suspended operations in 1983. The Central American Clearing House also suspended operations in 1984, but it was later revived and transformed into the Central American Payments System in 1990.

28/ Far Eastern Economic Review, 16 April 1992, p. 50.

29/ "Evaluation of performances and issues of trade financing in developing countries: the case for and the viability of an interregional facility" (TD/B/1300), and "Trade financing in developing countries: an assessment and evaluation of existing schemes and future requirements" (TD/B/1300/Supp.1).

30/ Furthermore, the terms and conditions typically offered by developing country institutions to their exporters are disadvantageous; the conditions of lending, in particular the collateral demanded, are onerous; and the percentages of exports financed are meagre. The credit, when extended, is short term, and when commercial banks are involved, they usually extend such trade finance only to big established customers as part of bank-customer relationships. In most developing countries, the institutional and financial capacity shortage has a particular impact on small and medium-sized exporters and on non-traditional exports (defined as either new exports or those calling for medium-term credit). The UNCTAD survey mentioned previously highlighted the severe paucity of pre-shipment credit in foreign exchange. Post-shipment credit, while slightly more abundant, was also scarce. These problems affect South-South trade in particular because developing country importers are often unknown to their exporters, their credit rating is seldom known to the exporter's banking sector, and the banks which might guarantee and sign their debts are either unknown in the exporter's banking sector or have no correspondent relationship with the importing country's banks.

31/ It could be mentioned in the context of public and publicly guaranteed flows that the GCC countries, especially Saudi Arabia and Kuwait, have been major donors of financial aid to developing countries, including other Arab countries, during the last two decades. According to an appraisal by ESCWA, net disbursements of financial aid by the GCC countries to developing countries made up around 20 per cent of total financial aid received by these countries from all sources. Over the period 1974-1991, total Arab concessional aid to developing countries amounted to US$ 8,480 million. Of this, US$ 5,250 million went to Arab countries, while US$ 3,230 million benefited developing countries in other regions. The level of aid has generally been determined by the level of oil revenues. Aid disbursements were highest in the mid-1970s and early 1980s - periods characterized by exceptionally large increases in oil prices and revenues. The proportion of aid disbursed by GCC countries to gross national

product has generally exceeded by far the 0.7 per cent target set out in the International Development Strategy and the performance of the countries of the Development Assistance Committee of OECD. In particular, Saudi Arabia has consistently exceeded that target and Kuwait until only recently. Financial aid from the Arab region has been mostly bilateral, averaging around 85 per cent of total aid disbursed during recent years. Moreover, the bulk of this aid (over 80 per cent) has been in the form of Government-to-Government flows, with development finance institutions playing a relatively small role. Financial aid from these finance institutions, totally or mostly financed by Arab countries (such as the OPEC Fund for International Development), amounted to US$ 3,390 million during the period 1974-1992. In recent years Arab aid flows to developing countries has fallen sharply - between 1990 and 1991, aggregate net disbursement of concessional assistance contracted from US$ 5,772 to US$ 2,381 million.

32/ "Country and regional experiences in attracting foreign direct investment for development: foreign direct investment in developing countries" (TD/B/ITNC/2), table 4.

33/ For more discussion see UNCTAD report TD/B/CN.3/13 referred to in note 26.

34/ Food security consists of access by all people at all times to enough food for an active and healthy life. It entails ensuring the adequacy of food supplies, through domestic production or import, and access by all households to sufficient food, by either producing it themselves or buying it.

35/ The Centre was established in 1976 by India, Indonesia, the Islamic Republic of Iran, Pakistan, the Philippines, the Republic of Korea, Sri Lanka and Thailand (Bangladesh and Nepal joined in 1981 and China in 1990).

36/ Some of the regional and international associations are the Eastern Caribbean Ports Association, Gulf Port Management Association, Port Management Association of Eastern and Southern Africa, Port Management Association of Western and Southern Africa, South Pacific Ports Association, Federation of Arab Seaports, Union d'administration portuaires du Nord de l'Afrique, Asociación Iberoamericana de Puertos y Costas, International Association of Ports and Harbours and American Association of Port Authorities.

37/ The participating countries are Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

38/ Members are Afghanistan, Bangladesh, Bhutan, India, the Islamic Republic of Iran, the Maldives, Nepal, Pakistan and Sri Lanka.

39/ It should be clarified that the Mekong River Commission was created on 5 April 1995 on signature of the Agreement on Cooperation for Sustainable Development of the Mekong River Basin by Cambodia, the Lao People's Democratic Republic, Thailand and Viet Nam. The Agreement superseded the 1957 Statute and 1975 Declaration on the Principles of Water Usage (that established the Committee for the Coordination of Investigations of the Lower Mekong Basin and

the Interim Committee) and establishes a new principle governing water usage in the Lower Mekong Basin.

40/ ASEAN Plan of Action on Science and Technology, Jakarta, ASEAN secretariat, 1994.

41/ The creation of technological links between enterprises in the South might help to enhance their bargaining position vis-à-vis their counterparts in the industrialized world when it comes to negotiating cooperation or transfer of technology agreements. R&D agreements may also contribute to enhancing efficiency, to improving applications for existing technologies or to identifying new ones and to solving technical problems, avoiding duplication of effort and reducing the risks and high costs associated with research and development activities. Inter-firm technological cooperation may, in addition, contribute to the technological upgrading of regions of the South in which integration processes are being deepened.

42/ See UNCTAD, "Report of the Workshop on Selected Cooperation Aspects for Technological Capability-building in Developing Countries" (UNCTAD/DST/7), 1995. The Workshop was held in Geneva, on 10 and 11 April 1995.

43/ See "Technological capacity-building and technology partnership: field findings, country experiences and programmes" (UNCTAD/DST/6) (forthcoming).

44/ In connection with existing problems, it could be also mentioned that legal issues related to inter-firm R&D collaboration are as important for South-South cooperation as they are for North-South relationships. Ownership, protection and exploitation of the results of research are crucial elements of R&D cooperation agreements. A number of countries have not yet satisfactorily developed their legal regimes to cope with the issues arising from technological cooperation between firms (co-ownership of inventions, anti-competitive clauses, for example). Thus, it is important for the cooperation partners to determine how the results of the research are to be protected, managed and exploited. Provided that Governments adopt active technology policies that facilitate the creation of technological links among their firms at national and regional levels, R&D cooperation agreements could be an important mechanism to facilitate the transfer of technology between enterprises, while also contributing to the technological upgrading of industries in developing countries and the surmounting of the barriers set up in an increasingly protectionist technological environment. For a discussion see, for example, "R&D collaboration agreements among enterprises: a legal and contractual analysis" (UNCTAD/ITD/TEC/2), 1993.

45/ UNCTAD, "University and enterprise in a new competitive scenario" (UNCTAD/DST/1/Excerpt), 1995. For the materials presented at the Workshop, see UNCTAD, "Universidad y empresa en un nuevo escenario competitivo. Trabajos y recommendaciones del taller de expertos y coordinación" (UNCTAD/DST/1), 1994.